



**CITY OF PACIFIC GROVE**  
**300 Forest Avenue, Pacific Grove, California 93950**

**AGENDA REPORT**

**TO:** Honorable Mayor and Members of the City Council  
**FROM:** Patty Maitland, Finance Director  
**MEETING DATE:** November 18, 2015  
**SUBJECT:** Annual Financial Audit Report for the Fiscal Year Ended June 30, 2015  
**CEQA:** Does not constitute a “project” under California Environmental Quality Act (CEQA) guidelines.

**RECOMMENDATION**

1. Receive the Annual Financial Audit Report, and Auditor’s Opinion on the City’s financial statements, from the City’s independent financial auditor, Chavan & Associates, LLP.
2. Receive a status report on improvements implementing the auditor’s recommendations, and provide direction.

**DISCUSSION**

The City contracted with Chavan & Associates, LLP, a firm of licensed certified public accountants, to audit the City of Pacific Grove’s financial statements for the fiscal year ending June 30, 2015. The goal of the independent audit is to provide reasonable assurance that the basic financial statements are free from material misstatement. The enclosed auditor’s opinion indicates that the financial statements present fairly, in all material respects, the financial position of the City. This unqualified opinion is the optimal type of opinion to receive from an external auditor and represents continued improvement in financial management. FY 2014-15 is the sixth consecutive year the City earned this opinion.

The auditors determined that it was unnecessary to perform a Single Audit. (Whether a Single Audit is required is based on the amount of federal funding the City received in the audit year).

Sheldon Chavan, a partner of the audit firm and lead for the City, will provide a general overview of the audit and answer any questions the Council may have. Specific topics in Mr. Chavan’s report include:

1. **Revenue and Expenditure Performance.** Overall, City expenditures were approximately \$800,000 less than budgeted, largely due to salary savings and prudent fiscal management by the departments. Additionally, revenues exceeded the budgeted amount by approximately \$1.4 million.
2. **Effect of Governmental Accounting Standards Board Statement No. 68 (GASB 68) on the City’s Total Net Position.** The mandatory implementation of GASB 68 is intended to improve financial reporting of future pension expense by state and local

governments. GASB 68 sets accounting standards for recognizing this in the year end audit. Thus, for the first time, the City's net unfunded CalPERS pension obligations (\$23.1M as of July 1, 2015, the last available data from CalPERS) are included in the City's statement of net position. As a result, the City's reporting of this liability in accordance with GASB 68 resulted in a negative net position of \$68,521. It is worth noting, that this represents a \$7.1M improvement in 12 months; if GASB 68 had required that the City's net unfunded CalPERS pension obligations be reported in the FY 2013-4 annual financial report, the reported obligation would have been \$30.2M.

3. **Trends.** The City continues to add to its reserves. The following table shows the General Fund year-end balance increases over the prior fiscal year since the 2010 audit.

Fiscal Year End June 30	General Fund Balance
2015	\$ 8,223,737
2014	\$ 6,094,817
2013	\$ 4,199,040
2012	\$ 3,243,657
2011	\$ 3,043,201
2010	\$ 2,711,669

(Note: an item for future Council consideration can again be the appropriate reserve level and use of current reserves. Given that the City is earning a weighted average of less than 1% on its invested cash, and this cash is removed from the community until it is spent, it may be more prudent to invest in local economic development, for example, pay off some of the City's unfunded pension obligation, or some other option.)

The auditor's presentation to Council will conclude with a status report on the audit findings, including recommended improvements to the City's internal controls and accounting procedures.

**FISCAL IMPACT**

There is no fiscal impact to the City by receipt of this report.

**ATTACHMENTS**

1. Chavan & Associates, LLP Correspondence
2. Annual Financial Audit Report for the fiscal year ended June 30, 2015
3. Chavan & Associates, LLP PowerPoint Presentation

RESPECTFULLY SUBMITTED:

REVIEWED BY:

*Patty Maitland*

*Thomas Frutchey*

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Patty Maitland  
Finance Director

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Thomas Frutchey  
City Manager



City of Pacific Grove  
300 Forest Avenue,  
Pacific Grove, CA 93950

In planning and performing our audit of the basic financial statements of the City of Pacific Grove as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the City of Pacific Grove's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Pacific Grove's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit **we did not** identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. As a result of the procedures performed during our audit, we identified the following matters for further consideration:

1. **Other Post-Employment Benefits** - The City's OPEB internal service fund is not required by GASB and for a city this size, that pays its OPEB benefits from each respective fund, it's generally better to commit fund balance instead of utilizing an internal service fund. The City may also want to consider contributing the cash balance in this fund to an irrevocable trust in order to reduce the unfunded liability for OPEB. For the fiscal year ended June 30, 2018, the City will be required to implement GASB 75 and record the unfunded actuarially accrued liability for its other post-employment benefits.
2. **Workers Compensation Fund** - The City's Workers Compensation internal service fund had a deficit net position (fund balance) greater than \$1 million at June 30, 2015. We recommend that the City consider the possibility of funding this deficit over the next few years.
3. **Deficit Fund Balances** - The City had eight funds with deficit fund balances as of June 30, 2015. We recommend that the City evaluate these funds and the funding needs for these funds at its next budget meeting.
4. **Governmental Net Position** - The overall government-wide net position of the City was a deficit \$68,521 for the City's governmental activities. This was mainly the result of implementing GASB 68 for the City's pension plans and the recording of a \$23 million net pension liability. We recommend that the City evaluate the possibility of funding the pension liability in the next few years in an effort to reduce the net pension obligation.



5. **Capital Assets** - Based on our testing of the City's capital assets and related internal controls, we recommend the city complete the following:
  - a. Perform a complete inventory of property, plant and equipment (internally or hire a third party).
  - b. Tag all moveable assets with identification numbers.
  - c. Adopt a formal capitalization policy identifying a capitalization thresholds, the disposal process and the purchasing process.
6. **Cash Receipts Policies** - During fiscal year 2014/15, the City did not have policies and procedures for cash handling for all City functions and departments. Such policies and procedures should address segregation of duties and include a thorough review of all receipts and their recording.
7. **Licenses and TOT Billings** - Billings for licenses and TOT are tracked in an Excel spreadsheet, but journal entries to record accounts receivable are not performed. We recommend that billings are integrated with the City's accounting system, such that receivables are recorded with the generation of an invoice.
8. **Police Cash Count Sheets** - During our testing at the police department, we noted that cash count sheets could be utilized more efficiently. We recommend using a cash count sheet in Excel, instead of Word, in order to facilitate automatic calculations and mitigate the risk of clerical errors.
9. **Library** - Based on our testing of cash receipts at the Library, we recommend the following:
  - a. We recommend the key to open the copy machine's cash box be locked in a drawer or in the safe.
  - b. The cash register closing documentation and reconciliation can be improved by having the closing clerk fill out a tally sheet to count the cash in the cash register drawer and then sign, date the sheet and then place the sheet in the drawer. Management can then reconcile the cash register tape to the count sheet and physical cash.
  - c. We recommend two people bring cash to the city or that the Library alternate the person that delivers the cash.
10. **Credit Cards** - We recommend that the lost receipt affidavit require that the purchaser itemize the charged transactions.

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

*C & A LLP*

San Jose, CA  
November 12, 2015

# City of Pacific Grove

## Annual Financial Report

### June 30, 2015



Chavan & Associates, LLP  
Certified Public Accountants  
[www.cnallp.com](http://www.cnallp.com)

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**CITY OF PACIFIC GROVE  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2015**

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**TRANSMITTAL LETTER**

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**CITY OF PACIFIC GROVE**

300 FOREST AVENUE  
PACIFIC GROVE, CALIFORNIA 93950  
TELEPHONE (831) 648-3100  
FAX (831) 375-9863

November 2, 2015

To the Honorable Mayor, Members of the City Council, and Citizens of Pacific Grove, California:

The City of Pacific Grove (City) hereby submits the Annual Financial Report (AFR) for the fiscal year ended June 30, 2015. The AFR contains financial statements that have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as prescribed for government entities.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and present fairly the respective financial position and changes of the City, as of June 30, 2015. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The AFR is published to provide information about the City to its citizens, the investment community, the general public, and others who may have an interest in the financial information regarding the City. This letter of transmittal is designed to be read with and complement the Management's Discussion and Analysis (MD&A). The MD&A can be found immediately following the report of the independent auditors.

**PROFILE OF THE CITY**

The City of Pacific Grove, California is a primarily residential community located at the tip of the Monterey Peninsula on the Central California coast. The community was founded as a Methodist Church summer retreat and was incorporated as a city on July 16, 1889. It was granted a charter by the State on April 22, 1927. The city operates under a council-manager form of government. The seven-member City Council appoints a City manager, who is the administrative head of the municipal government. City amenities include a library, natural history museum, a community center, a youth center, a senior center, an 18-hole golf course, a cemetery, a monarch butterfly sanctuary and habitat preserve, over five miles of shoreline and recreational trails, and numerous parks.

The City maintains a website located at: <http://www.cityofpacificgrove.org> that provides online services and extensive information about the City. This website includes information about the Council, Council meeting agendas, City job listings, City museums, local recreation, financial information, and links to other local resources, to name just a few.

## **FACTORS AFFECTING FINANCIAL CONDITION**

### **Economic Challenges**

The information presented in the financial statements is best understood when it is considered from the broader perspective of the context within which the City of Pacific Grove operates. This section provides a brief overview of the most significant factors affecting the City's financial position.

During FY 2014-15, the City continued to operate within a balanced budget, as a result of the cost-cutting measures implemented since FY 2007-08. Additionally, General Fund revenues for FY 2014-15 exceeded anticipated (budgeted) revenues by \$1.4 million. While continuing to make improvements in its financial outlook, deferred infrastructure maintenance, service levels that fall short of citizens' expectations, and unfunded liability for workers' compensation claims remain fiscal challenges for the City. City staff has begun implementing a capital improvement program to address the needed maintenance while efforts continue to improve service delivery within resource constraints. Those efforts include the use of private sector service providers and shared services with other agencies.

The City of Pacific Grove is a participant in the California Public Employees Retirement System (CalPERS). CalPERS is a defined-benefit retirement program that relies heavily on investments in financial markets for the assets required to pay benefits to retirees. This reliance on investment returns to meet expectations exposes the City to potentially large rate increases when the CalPERS investment portfolio fails to meet expectations.

The City has reported the medical benefits paid to retirees pursuant to Governmental Accounting Standards Board (GASB) issued Statement 45. GASB 68, effective beginning with fiscal year June 30, 2015, required the City to post a net pension liability of \$23 million on its statement of net position.

### **Internal Control**

The management of the City has established a comprehensive framework of internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse. This framework ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. Reasonable assurance provides that the cost of internal controls should not exceed the benefits and that decisions often require the use of estimates and judgments by management.

### **Budgeting Controls**

In addition to accounting controls, the City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The budget also serves as the foundation for financial planning and control for the City.

### **Credit Rating**

Over the past year, rating downgrades have occurred for a variety of public and private entities. However the City has not experienced any downgrades nor is the City on credit watch by any of the rating agencies. The City proudly maintains a strong credit rating and strives to continue this achievement.

**OTHER INFORMATION**

**Independent Audit**

City Charter requires an annual audit by independent certified public accountants. The firm Chavan & Associates, LLP was selected to perform this service. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City, for the fiscal year ended June 30, 2015, are free of material misstatement. The independent auditor's report is presented as the first item of the financial section of the report.

**Acknowledgments**

The preparation of this Annual Financial Report could not have been accomplished without the cooperation and dedicated services of all City departments and the Council's exemplary leadership regarding the financial operations of the City.

Respectfully submitted,

*P. A. Maitland*

Patricia A. Maitland  
Finance Director

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the  
City Council of the City of Pacific Grove  
Pacific Grove, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Pacific Grove (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Pacific Grove, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The transmittal letter and combining individual non-major fund schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining individual non-major fund schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *New Accounting Principles*

As discussed in Notes 1 and 8 to the financial statements, the City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective June 30, 2015 and GASB Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

C & A LLP

October 28, 2015  
San Jose, California



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

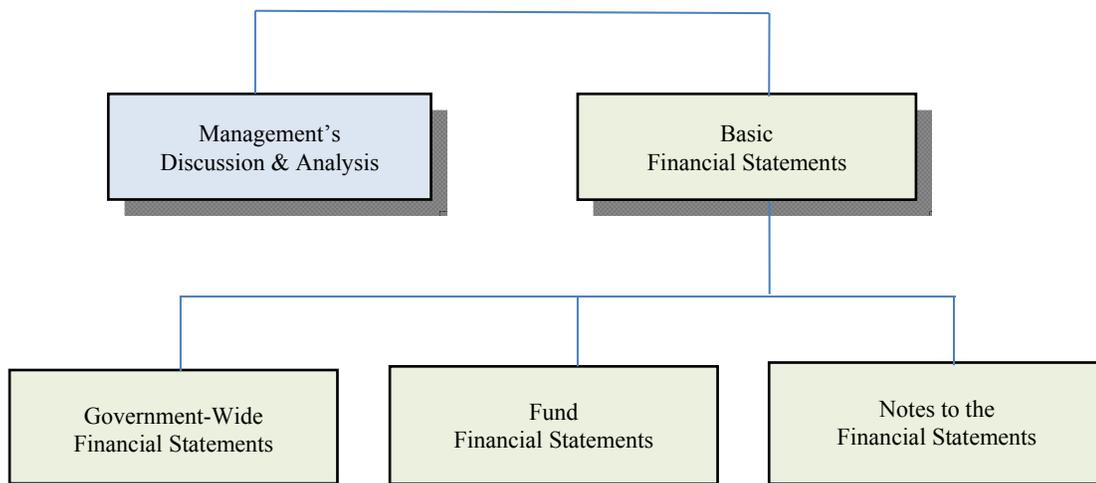
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**INTRODUCTION**

The Management's Discussion and Analysis (MD&A) is a required section of the City's Comprehensive Annual Financial Report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2015. This report will (1) focus on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the Basic Financial Statements is intended to provide a comprehensive understanding of the City's operations and financial standing.

**Required Components of the Annual Financial Report**



**FISCAL YEAR 2014/15 FINANCIAL HIGHLIGHTS**

- Total net position decreased by \$25.9 million from last fiscal year primarily due to the implementation of GASB 68.
- The City's assets exceeded its liabilities by \$18.2 million; assets and deferred outflows of resources totaled \$75.5 million and liabilities and deferred outflows of resources were \$57.4 million.
- Net position consisted of \$34.4 million classified as net investment in capital assets; \$6.3 million as restricted; and \$22.6 million as a deficit unrestricted net position (negative net position).
- Total City-wide revenues were \$24.9 million which consists of program revenue of \$6.5 million and general revenues of \$18.5 million.
- Total City expenses were \$20.5 million.
- Total Governmental Fund fund balances were \$13.8 million, which included an \$8.2 million fund balance in the General Fund. Total fund balance increased by \$1.9 million from last year.
- General Fund revenues were \$19.2 million, while General Fund expenditures were \$16.8 million. Transfers in to the General Fund from other funds were \$.45 million and transfer out totaled \$.75 million.

## THE BASIC FINANCIAL STATEMENTS

The Basic Financial Statements are comprised of 1) Government-wide (City-wide) Financial Statements, and; 2) Fund Financial Statements. These two sets of financial statements provide the reader two different perspectives of the City's financial activities and financial position.

*Government-Wide Financial Statements* provide a longer-term view of the City's activities as a whole, and comprise the *Statement of Net Position* and the *Statement of Activities*. The *Statement of Net Position* provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on a full accrual basis, similar to that used by corporations. The *Statement of Activities* provides information about all the City's revenues and all its expenses, also on a full accrual basis, with the emphasis on measuring net revenues and/or expenses for each of the City's programs. The *Statement of Activities* explains in detail the change in Net Position for the fiscal year.

All of the City's activities are required to be grouped into government activities and business-type activities. The entire amount in the *Statement of Net Position* and the *Statement of Activities* are also required to be separated into governmental activities or business-type activities in order to distinguish between these two types of activities of the City.

*Fund Financial Statements* report the City's operations in more detail than the government-wide statements and focus primarily on the short-term activities of the City's general fund and other major funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt, and other long-term amounts.

Major funds account for the major financial activities of the City and are presented individually, while the activities of non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major funds are explained below.

### The Government-Wide Financial Statements

Government-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole. The *Statement of Net Position* and the *Statement of Activities* present information about the following:

*Governmental Activities* – All of the City's basic services are considered to be governmental activities, including general government, community development, public safety, transportation, and, culture and leisure. These services are supported by general City revenues such as taxes, and by specific program revenues such as development and recreation program fees.

*Business-Type Activities* – This category includes enterprise activities such as bus transportation, water, and utilities. Unlike governmental services, these services are fully supported by charges paid by users based on the amount of services they use.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund financial statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds.

Major funds present the major activities of the City for the fiscal year, and may change from year to year as a result of changes in the pattern of the City's activities. The City's funds are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds* – The City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances available at year-end. Financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Carrying amounts for capital assets and other long-lived assets, along with long-term liabilities are not presented on the balance sheet in the governmental fund financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

*Proprietary Funds* – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise fund is the same as the business type activities reported in the Government-Wide statements. Proprietary funds provide the same type of information as Government-Wide statements but only in more detail, with additional information, such as cash flows. The City uses internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities such as the City's self-insurance, workers compensation, health insurance and OPEB. The internal services funds are reported with governmental activities in the Government-Wide Financial Statements.

*Fiduciary Funds* – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reported in the Government-Wide financial statements because the resources of these funds are not available to support the City of Pacific Grove's own programs. The accounting for fiduciary funds is much like that used for business type activities. The City did not maintain any fiduciary funds during 2014/15.

#### **NOTES TO THE FINANCIAL STATEMENTS**

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found immediately following the fund financial statements.

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information other than through the MD&A follows the Notes and includes a budgetary comparison for the General Fund and other major funds as presented in the governmental fund financial statements.

#### **SUPPLEMENTARY INFORMATION**

Combining and individual fund statements and schedules are included to provide additional information on non-major governmental funds including special revenue, debt service, capital project funds, proprietary internal service fund information and agency funds. An un-audited statistical section provides historical and current data on financial trends, revenue and debt capacity, demographic and economic information, and operating information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as an indicator of the City's financial position. The City's Total Net Position decreased \$25.9, from \$44 million in fiscal year 2013/14 to \$18.2 million in fiscal year 2014/15. A significant portion of the City's net position (\$34.4 million) was net investment in capital assets, (e.g., land, buildings, general government infrastructure, equipment, etc.) which is capital assets net of accumulated depreciation and reduced by any related debt used to acquire or construct those assets. Capital assets represent infrastructure which provide services to citizens and are not available for future spending.

The City implemented GASB 68 as of June 30, 2015, which resulted in a decrease to beginning net position of \$30.1 million. GASB 68 requires local governments to report their fair share of net pension liabilities from pension plans. The City participates in the miscellaneous and safety plans with CalPERS. In 2006, the City issued pension obligation bonds in order to pre-fund these pension plans. However, adjustments were made by CalPERS in the last few years during the implementation of GASB 67 (required for pension plan administrators such as CalPERS) which negatively impacted the net position of the plans. With the implementation of GASB 68, the City is now realizing its proportionate share of the plans' net pension liabilities. See note 8 for detailed information related to the Plans and GASB 68.

The following table summarized the City's ending net position:

<b>Table 1 - Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current and other assets	\$ 18,080,861	\$ 27,094,074	\$ 6,584,503	\$ 6,337,421	\$ 24,665,364	\$ 33,431,495
Capital assets	22,721,516	22,055,474	16,329,840	15,930,458	39,051,356	37,985,932
<b>Total Assets</b>	<b>\$ 40,802,377</b>	<b>\$ 49,149,548</b>	<b>\$ 22,914,343</b>	<b>\$ 22,267,879</b>	<b>\$ 63,716,720</b>	<b>\$ 71,417,427</b>
<b>Deferred Outflows of Resources</b>						
	\$ 11,828,349	\$ -	\$ -	\$ -	\$ 11,828,349	\$ -
<b>Liabilities</b>						
Current and other liabilities	\$ 4,092,517	\$ 1,322,671	\$ 679,725	\$ 404,460	\$ 4,772,242	\$ 1,727,131
Noncurrent liabilities	41,362,329	21,136,312	3,992,812	4,509,283	45,355,141	25,645,595
<b>Total Liabilities</b>	<b>\$ 45,454,846</b>	<b>\$ 22,458,983</b>	<b>\$ 4,672,537</b>	<b>\$ 4,913,743</b>	<b>\$ 50,127,383</b>	<b>\$ 27,372,726</b>
<b>Deferred Inflows of Resources</b>						
	\$ 7,244,401	\$ -	\$ -	\$ -	\$ 7,244,401	\$ -
<b>Net Position</b>						
Net investment in capital assets	\$ 22,263,317	\$ 21,416,743	\$ 12,181,977	\$ 11,468,718	\$ 34,445,294	\$ 32,885,461
Restricted	6,023,419	5,875,777	-	273,843	6,023,419	6,149,620
Unrestricted	(28,355,257)	(601,955)	6,059,829	5,611,575	(22,295,428)	5,009,620
<b>Total Net Position</b>	<b>\$ (68,521)</b>	<b>\$ 26,690,565</b>	<b>\$ 18,241,806</b>	<b>\$ 17,354,136</b>	<b>\$ 18,173,285</b>	<b>\$ 44,044,701</b>

**Governmental Activities**

As shown in the above *Statement of Changes in Net Position* schedule, the net change in program revenues from the prior fiscal year for governmental activities is an increase of \$588,214. The net change in general revenues from the prior year is an increase of \$246,832, for a total increase in revenues of \$835,046. The net change in expenses from the prior year was a decrease of \$965,119.

With total program and general revenues for fiscal year 2014/15 at \$21.2 million and total expenses at \$17.7 million, the change in net position for current activity was an increase of \$3.5, excluding prior period adjustments totaling \$30.1 million from GASB 68.

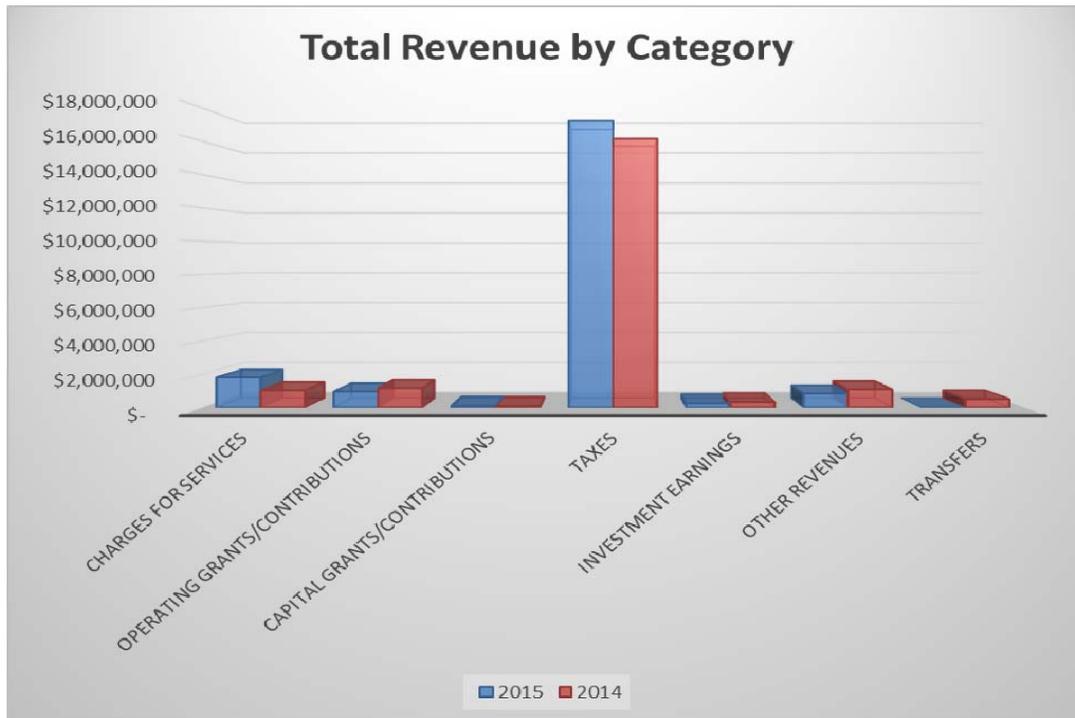
An analysis of the changes in revenues and expenses by type of significant events follows:

**Table 2 - Statement of Changes in Net Position**

Functions/Programs	Governmental Activities		Increase (Decrease)	Business-Type Activities		Increase (Decrease)
	2015	2014		2015	2014	
<b>Program Revenues</b>						
Charges for services	\$ 1,826,283	\$ 1,033,183	\$ 793,100	\$ 3,514,586	\$ 5,080,672	\$(1,566,086)
Operating grants and contributions	960,553	1,170,116	(209,563)	-	-	-
Capital grants and contributions	104,677	100,000	4,677	48,405	857,774	(809,369)
<b>Total Program Revenues</b>	<b>2,891,513</b>	<b>2,303,299</b>	<b>588,214</b>	<b>3,562,991</b>	<b>5,938,446</b>	<b>(2,375,455)</b>
<b>General Revenues</b>						
Taxes	17,235,039	16,146,324	1,088,715	-	-	-
Investment earnings	257,602	334,802	(77,200)	26,693	33,422	(6,729)
Other revenues	837,458	1,095,006	(257,548)	102,878	-	102,878
Transfers	-	507,135	(507,135)	-	(507,135)	507,135
<b>Total General Revenues</b>	<b>18,330,099</b>	<b>18,083,267</b>	<b>246,832</b>	<b>129,571</b>	<b>(473,713)</b>	<b>603,284</b>
<b>Expenses</b>						
General government	2,320,217	2,722,546	(402,329)	-	-	-
Public safety	7,144,172	6,783,251	360,921	-	-	-
Public works	3,357,831	3,847,820	(489,989)	-	-	-
Recreation	439,368	534,649	(95,281)	-	-	-
Library	662,076	778,981	(116,905)	-	-	-
Museum	195,868	200,369	(4,501)	-	-	-
Community development	2,246,289	1,684,231	562,058	-	-	-
Interest and fiscal charges	1,323,094	2,102,187	(779,093)	-	-	-
Cemetery operating	-	-	-	231,261	236,615	(5,354)
Sewer operating	-	-	-	1,761,965	1,585,152	176,813
Golf course	-	-	-	811,666	2,073,405	(1,261,739)
<b>Total Expenses</b>	<b>17,688,915</b>	<b>18,654,034</b>	<b>(965,119)</b>	<b>2,804,892</b>	<b>3,895,172</b>	<b>(1,090,280)</b>
Increase / (Decrease) in Net Position	3,532,697	1,732,532	1,800,165	887,670	1,569,561	(681,891)
Prior Period Adjustments	(30,291,783)	(252,295)	(30,039,488)	-	-	-
<b>Net Position, Beginning of Year</b>	<b>26,690,565</b>	<b>25,210,328</b>	<b>1,480,237</b>	<b>17,354,136</b>	<b>15,784,575</b>	<b>1,569,561</b>
<b>Net Position, End of Year</b>	<b>\$ (68,521)</b>	<b>\$ 26,690,565</b>	<b>\$ (26,759,086)</b>	<b>\$ 18,241,806</b>	<b>\$ 17,354,136</b>	<b>\$ 887,670</b>

**Governmental Revenues**

The following chart summarizes the changes in revenues by category during 2014/15:

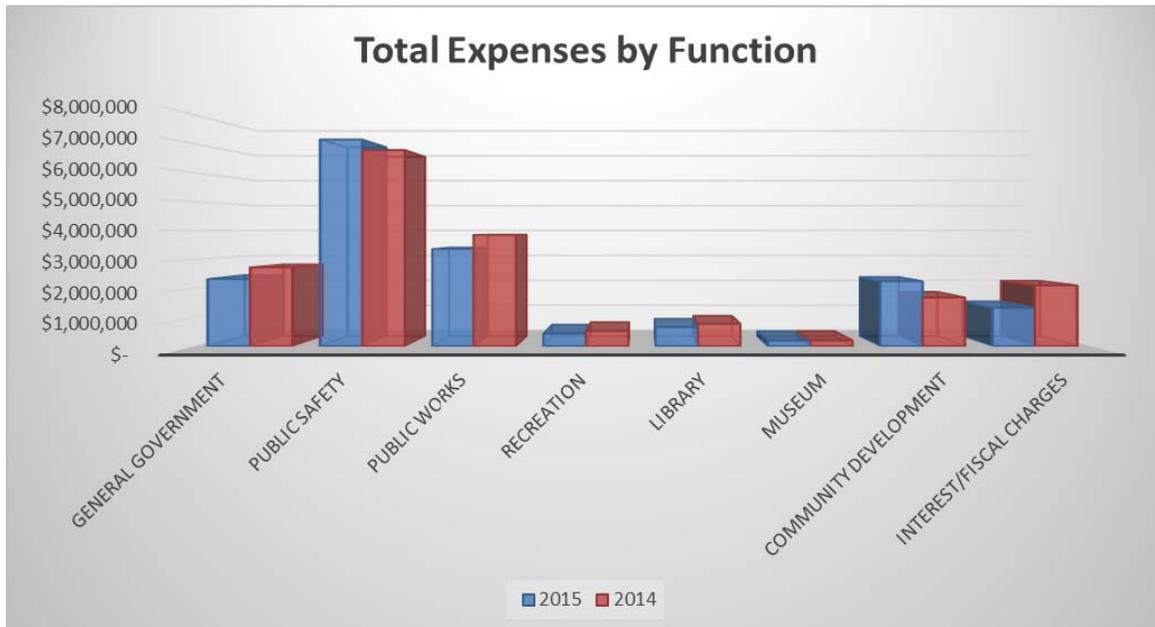


Significant changes in governmental revenues consisted of the following:

- Charge for Services increased by 77% most of which was related to general government operations.
- Taxes increased by 7% from increases in property values, transient tax and sales tax.
- Other revenues and investment earnings decreased by 23.5% and 23%, respectively.
- There were not transfers between governmental activities and business-type activities in 2014/15.

**Governmental Expenses**

The 2014/15 expenses for Governmental Activities decreased by \$1 million as illustrated in the chart below:



Significant changes in governmental expenses consisted of the following:

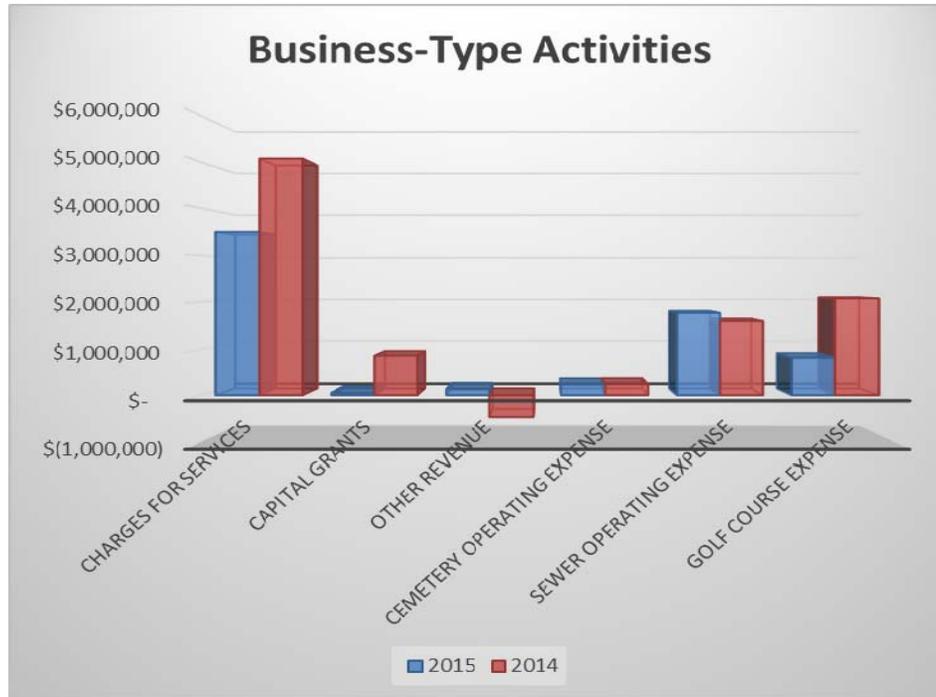
- General Government expenses decreased by 15% because of a decline in resources needed by the City to operate these certain programs and adjustments in the current year from GASB 68 that reduce pension expense. Although the City's net position decreased significantly, there was actually a reduction to pension expense in 14/15 of \$1.4 million because the actual contributions made during the year and differences from projected earnings on plan assets were deferred into future years.
- Public Safety increased by 5% because of staffing increases during the year.
- Public Works, Recreation and Library expenses decreased by 13%, 18% and 15%, respectively, mostly due to the implementation of GASB 68.
- Community development expenses increased by 33% because of housing program needs and other community programs sponsored by the City.
- Interest expense went down by 37% because portions of the interest accreted and expensed in prior years matured in the 14/15 decreases the liability instead of reporting interest expense. Also, the accretion of interest is on a sliding scale and is decreasing each year.

**Business-Type Activities**

The City's net position for business type activities increased by \$887,670.

Total expenses for business type activities was \$2.8M during the year, which was a decrease of \$1.1 million from prior year. Golf Course expenses decreased by \$1.3 million from 13/14 because the City decided to outsource management of the golf course which is also reflective of the \$1.8 million decrease in total business-type revenue.

The following chart is a summary of the changes in revenues and expenses for the City's business-type activities from 2013/14 to 2014/15:



**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

A summary of the changes in fund balance of the Major Funds and Other Governmental Funds is presented below:

**Table 3 - Summary of Changes in Fund Balance - Governmental Funds**

	Major Funds				Total
	General Fund	Housing Fund	CDBG Grant Fund	Other Governmental Funds	
Total Revenues	\$ 19,192,237	\$ 55,514	\$ 120,543	\$ 1,596,852	\$ 20,965,146
Total Expenditures	16,760,323	74,667	102,861	2,172,995	19,110,846
Revenues Over (Under) Expenditures	2,431,914	(19,153)	17,682	(576,143)	1,854,300
Transfers in	450,277	-	-	303,000	753,277
Transfers out	(753,277)	-	-	-	(753,277)
Net change in fund balances	2,128,914	(19,153)	17,682	(273,143)	1,854,300
Beginning of year	6,094,823	326,202	21,747	5,471,641	11,914,413
End of year	\$ 8,223,737	\$ 307,049	\$ 39,429	\$ 5,198,498	\$ 13,768,713

The total change in fund balance during the year, including Major Funds and Other Governmental Funds, was an increase of \$1.9 million. Total ending fund balance was \$13.8 million.

**Governmental Funds**

The fund balance of the City's General Fund increased by \$2.1 million. Total revenues increased by \$1.1 million while total expenditures increased by \$344,834 from prior year. Housing fund expenditures increased by \$41,388 while revenue increased by \$21,560. The CDBG grant fund had an increase in revenue of \$19,617 and an increase in expenditures of \$32,805.

The total fund balance of the special revenue funds decreased by \$354,174. Revenue from nonmajor funds increased by \$403,242 from 2013/14 to 2014/15 while total expenditures increased by \$502,953.

**CAPITAL ASSETS**

The capital assets of the City are those assets which are used in the performance of the City's functions including infrastructure assets. At June 30, 2015, net capital assets of the governmental activities totaled \$22.8 million and the net capital assets of the business type activities totaled \$16.3 million. Depreciation on capital assets is recognized in the Government-Wide Financial Statements and the proprietary fund statements. The City has elected to use straight line depreciation as defined by GASB Statement No. 34 for calculation of depreciation.

The following table summarizes the City's capital assets at the end of the year:

**Table 4 - Capital Assets at Year End - Net**

	Governmental Activities		Business-type Activities		Total		% Change
	2015	2014	2015	2014	2015	2014	
Land	\$ 2,338,270	\$ 2,338,270	\$ 362,973	\$ 362,973	\$ 2,701,243	\$ 2,701,243	0.00%
Infrastructure	14,545,645	13,939,682	10,156,661	8,895,155	24,702,306	22,834,837	8.18%
Buildings and improvement	5,368,942	5,431,898	5,665,522	5,757,172	11,034,464	11,189,070	-1.38%
Machinery and equipment	468,659	345,624	144,684	915,158	613,343	1,260,782	-51.35%
Total Capital Assets, Net	\$ 22,721,516	\$ 22,055,474	\$ 16,329,840	\$ 15,930,458	\$ 39,051,356	\$ 37,985,932	2.80%

Additional detail and information on capital asset activity is described in the notes to the financial statements.

**DEBT ADMINISTRATION**

During the year, Long-Term Debt from governmental activities decreased by \$846,839 primarily due to regular debt service payments. Long-Term Debt attributable to business type activities decreased by \$313,877 during 2014/15.

The following table summarizes the City's debt at the end of the year:

<b>Table 5 - Outstanding Long-Term Debt at Year End</b>			
	Governmental Activities		
	2015	2014	% Change
2003 Refunding Butterfly Habitat Note	\$ 257,439	\$ 336,197	-23.43%
Pierce Dash 2000 Pumper	48,398	94,984	-49.05%
PNC Equipment Lease	152,363	207,550	-26.59%
Pension Obligation Bonds	10,252,079	11,336,179	-9.56%
Accreted Interest	7,179,479	6,761,687	6.18%
Total outstanding long-term debt	<u>\$ 17,889,758</u>	<u>\$ 18,736,597</u>	-4.52%
	Business-type Activities		
	2015	2014	% Change
2013 Wastewater Revenue Refunding Bonds	\$ 1,103,096	\$ 1,151,740	-4.22%
2014 Site Lease (Golf Course)	3,044,767	-	100.00%
2004 Certificates of Participation (Golf Course)	-	3,310,000	-100.00%
Total outstanding long-term debt	<u>\$ 4,147,863</u>	<u>\$ 4,461,740</u>	-7.03%

Additional detail and information on long-term debt activity is described in the notes to the financial statements.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Changes from the City's General Fund original budget to the final budget are detailed in the Required Supplementary Information Section along with a comparison to actual activity for the year ended. Changes to the City's budget that increase or decrease appropriations in a fund must be approved by a resolution of the City Council. Modifications to the budget that are a realignment of fiscal activities with no impact to the fund's bottom line may be approved by the City Manager. Appropriations were decreased by \$1.23 million during the year. The General Fund adopted revenue budget was \$19.1 million. The General Fund adopted expenditure budget was \$19.6 million.

**ECONOMIC FACTORS AND OUTLOOK**

Although the economy is showing signs of recovery, the City had made significant cuts to navigate its way through the recession which began in 2008. Since then, the City utilized reduced staffing, deferred maintenance and equipment replacement delays to maintain basic operations. The City is currently in the process of solidifying its long term fiscal plan in order to meet the operational needs of its citizens.

**REQUEST FOR FINANCIAL INFORMATION**

This financial report is designed to provide a general overview of the City of Pacific Grove's finances for all of Pacific Grove's residents, taxpayers, customers, investors, and creditors. This financial report seeks to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Department of Finance at 300 Forest Avenue, Pacific Grove, CA 93950, or visit the City of Pacific Grove webpage at [www.cityofpacificgrove.org](http://www.cityofpacificgrove.org).

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## **BASIC FINANCIAL STATEMENTS**

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**City of Pacific Grove**  
**Statement of Net Position**  
**June 30, 2015**

	Governmental Activities	Business- Type Activities
<b>ASSETS</b>		
Current Assets:		
Cash and investments	\$ 14,432,915	\$ 5,863,087
Restricted cash and investments	450,000	-
Receivables:		
Taxes	1,281,893	-
Accounts	28,375	520,641
Due from other governments	6,218	-
Interest	5,767	-
Other assets	30,112	32,588
<b>Total Current Assets</b>	<u>16,235,280</u>	<u>6,416,316</u>
Noncurrent Assets:		
Loans receivable	1,845,581	168,187
Capital Assets:		
Nondepreciable	2,338,270	362,973
Depreciable, net of accumulated depreciation	20,383,246	15,966,867
<b>Total Capital Assets - Net</b>	<u>22,721,516</u>	<u>16,329,840</u>
<b>Total Noncurrent Assets</b>	<u>24,567,097</u>	<u>16,498,027</u>
<b>Total Assets</b>	<u>\$ 40,802,377</u>	<u>\$ 22,914,343</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Contributions	\$ 1,607,640	\$ -
Deferred Charge for Pension Obligations	10,220,709	-
<b>Total Deferred Outflows of Resources</b>	<u>\$ 11,828,349</u>	<u>\$ -</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$ 1,089,176	\$ 396,265
Payroll related liabilities	206,936	14,876
Deposits and other liabilities	13,180	-
Interest payable	250,000	64,424
Unearned revenues	173,509	-
Compensated absences - current portion	286,220	12,080
Long-term debt - due within one year	2,073,496	192,080
<b>Total Current Liabilities</b>	<u>4,092,517</u>	<u>679,725</u>
Noncurrent Liabilities:		
Long-term debt - due in more than one year	15,816,262	3,955,783
Claims payable	1,010,923	-
Compensated absences	858,658	37,029
Net pension obligation	23,123,343	-
Net OPEB obligation	553,143	-
<b>Total Noncurrent Liabilities</b>	<u>41,362,329</u>	<u>3,992,812</u>
<b>Total Liabilities</b>	<u>\$ 45,454,846</u>	<u>\$ 4,672,537</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Differences Between Projected and Actual Earning from Pensions	\$ 7,244,401	\$ -
<b>NET POSITION</b>		
Net investment in capital assets	\$ 22,263,317	\$ 12,181,977
Restricted for:		
Insurance	450,000	-
Social service programs	507,885	-
Public safety	377,053	-
Community development	4,445,650	-
Street improvements	179,252	-
Debt service	63,579	-
<b>Total Restricted</b>	<u>6,023,419</u>	<u>-</u>
Unrestricted	(28,355,257)	6,059,829
<b>Total Net Position</b>	<u>\$ (68,521)</u>	<u>\$ 18,241,806</u>

The accompanying notes are an integral part of these financial statements.

**City of Pacific Grove**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

Functions/Programs	Program Revenues					Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General government	\$ 2,320,217	\$ 874,861	\$ 83,599	\$ -	\$ 958,460	\$ (1,361,757)		\$ (1,361,757)
Public safety	7,144,172	9,552	276,740	104,677	390,969	(6,753,203)		(6,753,203)
Public works	3,357,831	35,743	382,509	-	418,252	(2,939,579)		(2,939,579)
Recreation	439,368	322,363	46,792	-	369,155	(70,213)		(70,213)
Library	662,076	18,810	61,158	-	79,968	(582,108)		(582,108)
Museum	195,868	-	-	-	-	(195,868)		(195,868)
Community development	2,246,289	564,954	109,755	-	674,709	(1,571,580)		(1,571,580)
Interest and fiscal charges	1,323,094	-	-	-	-	(1,323,094)		(1,323,094)
<b>Total Governmental Activities</b>	<b>\$ 17,688,915</b>	<b>\$ 1,826,283</b>	<b>\$ 960,553</b>	<b>\$ 104,677</b>	<b>\$ 2,891,513</b>	<b>(14,797,402)</b>		<b>(14,797,402)</b>
<b>Business-Type Activities:</b>								
Cemetery	\$ 231,261	\$ 200,527	\$ -	\$ -	\$ 200,527		\$ (30,734)	(30,734)
Sewer	1,761,965	2,908,507	-	48,405	2,956,912		1,194,947	1,194,947
Golf	811,666	405,552	-	-	405,552		(406,114)	(406,114)
<b>Total Business-Type Activities</b>	<b>\$ 2,804,892</b>	<b>\$ 3,514,586</b>	<b>\$ -</b>	<b>\$ 48,405</b>	<b>\$ 3,562,991</b>		<b>758,099</b>	<b>758,099</b>
<b>General Revenues:</b>								
Taxes:								
Property taxes						5,836,174	-	5,836,174
Sales and use taxes						3,534,495	-	3,534,495
Franchise and other taxes						975,090	-	975,090
Transient occupancy taxes						4,998,885	-	4,998,885
Utility users taxes						1,428,360	-	1,428,360
Business license tax						359,408	-	359,408
Other taxes						102,627	-	102,627
Total taxes						17,235,039	-	17,235,039
Investment earnings						257,602	26,693	284,295
Other revenues						837,458	102,878	940,336
Total General Revenues						18,330,099	129,571	18,459,670
Change in Net Position						3,532,697	887,670	4,420,367
Net Position - Beginning of Year						26,690,565	17,354,136	44,044,701
Prior Period Adjustments - GASB 68						(30,291,783)	-	(30,291,783)
Net Position - Beginning of Year, As Adjusted						(3,601,218)	17,354,136	13,752,918
Net Position - End of Year						\$ (68,521)	\$ 18,241,806	\$ 18,173,285

The accompanying notes are an integral part of these financial statements.

**City of Pacific Grove**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	Major Funds				
	General Fund	Housing Fund	CDBG Grant Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 7,762,134	\$ 309,972	\$ 39,429	\$ 5,771,895	\$ 13,883,430
Receivables:					
Taxes	1,232,942	-	-	48,951	1,281,893
Accounts	20,042	-	-	8,333	28,375
Due from other governments	6,218	-	-	-	6,218
Interest	5,767	-	-	-	5,767
Due from other funds	150,000	-	-	-	150,000
Loans receivable	-	611,823	763,751	470,007	1,845,581
Other assets	25,878	-	-	4,234	30,112
<b>Total assets</b>	<b>\$ 9,202,981</b>	<b>\$ 921,795</b>	<b>\$ 803,180</b>	<b>\$ 6,303,420</b>	<b>\$ 17,231,376</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 609,075	\$ 1,038	\$ -	\$ 465,936	\$ 1,076,049
Payroll related liabilities	197,692	1,885	-	4,767	204,344
Deposits and other liabilities	10,474	-	-	2,706	13,180
Due to other funds	-	-	-	150,000	150,000
Unearned revenues	162,003	611,823	763,751	481,513	2,019,090
<b>Total liabilities</b>	<b>979,244</b>	<b>614,746</b>	<b>763,751</b>	<b>1,104,922</b>	<b>3,462,663</b>
<b>Fund Balances:</b>					
Nonspendable					
Prepaid assets	25,878	-	-	4,215	30,093
Permanent funds	-	-	-	2,643,651	2,643,651
Restricted:					
Social service programs	-	307,049	39,429	161,407	507,885
Public safety	-	-	-	377,053	377,053
Community development	-	-	-	1,801,999	1,801,999
Street improvements	-	-	-	179,252	179,252
Debt service	-	-	-	63,579	63,579
Assigned:					
Social service programs	240,922	-	-	-	240,922
Unassigned	7,956,937	-	-	(32,658)	7,924,279
<b>Total fund balances</b>	<b>8,223,737</b>	<b>307,049</b>	<b>39,429</b>	<b>5,198,498</b>	<b>13,768,713</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,202,981</b>	<b>\$ 921,795</b>	<b>\$ 803,180</b>	<b>\$ 6,303,420</b>	<b>\$ 17,231,376</b>

The accompanying notes are an integral part of these financial statements.

**City of Pacific Grove**  
**Reconciliation of the Government Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2015**

**Total Fund Balances - Total Governmental Funds** \$ 13,768,713

Amounts reported for governmental activities in the statement of net position were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. The capital assets were adjusted as follows:

Capital assets	41,625,688
Less: accumulated depreciation	(18,904,172)
<b>Total Capital Assets</b>	<u>22,721,516</u>

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet. (250,000)

Internal service funds are used by management to charge the costs of stores, vehicle maintenance and various insurance costs to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. (70,909)

Contributions made to pension plans will not be included in the calculation of the City's net pension liability of the plan year included in this report and have been deferred and reported as deferred outflows of resources. 1,607,640

The difference between projected and actual earnings from pension plan assets is not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the statement of net position. (7,244,401)

Certain prepaid expenses were reported as expenditures when incurred in the funds but are capitalized and amortized in the statement of net position as follows:  
Deferred charge for pension obligation 10,220,709

Liabilities were reported for certain revenues that were not available to pay current period expenditures and were reported as unearned in the fund statements. 1,845,581

Long-term obligations were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

Long-term debt	(17,889,758)
Compensated absences	(1,101,126)
Net pension obligation	(23,123,343)
Net OPEB obligation	(553,143)
<b>Total Long-Term Obligations</b>	<u>(42,667,370)</u>

**Net Position of Governmental Activities** \$ (68,521)

The accompanying notes are an integral part of these financial statements.

**City of Pacific Grove**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2015**

	Major Funds				Total Governmental Funds
	General Fund	Housing Fund	CDBG Grant Fund	Other Governmental Funds	
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ 5,750,806	\$ -	\$ -	\$ 85,368	\$ 5,836,174
Sales and use taxes	3,534,495	-	-	-	3,534,495
Franchise and other taxes	919,377	-	-	55,713	975,090
Transient occupancy taxes	4,468,965	-	-	529,920	4,998,885
Utility users taxes	1,428,360	-	-	-	1,428,360
Business license tax	327,463	-	-	31,945	359,408
Other taxes	102,627	-	-	-	102,627
Intergovernmental revenues	163,543	6,162	7,093	609,874	786,672
License, permits and impact fees	440,403	-	-	-	440,403
Fines and forfeitures	49,714	-	-	-	49,714
Charges for services	983,061	212	-	79,556	1,062,829
Interest, rents and concessions	433,491	3,197	16,950	35,399	489,037
Other revenues	589,932	45,943	96,500	169,077	901,452
<b>Total Revenues</b>	<b>19,192,237</b>	<b>55,514</b>	<b>120,543</b>	<b>1,596,852</b>	<b>20,965,146</b>
<b>EXPENDITURES</b>					
Current:					
General government	2,317,231	-	-	96	2,317,327
Public safety:					
Police	4,192,928	-	-	767,940	4,960,868
Fire	2,291,201	-	-	5,507	2,296,708
Public works	2,641,550	-	-	309,975	2,951,525
Recreation	393,761	-	-	20,071	413,832
Library	676,271	-	-	1,629	677,900
Museum	188,938	-	-	1,333	190,271
Community development	1,324,672	74,667	102,861	817,004	2,319,204
Capital outlay	795,432	-	-	157,474	952,906
Debt service					
Principal	1,185,874	-	-	78,758	1,264,632
Interest and fiscal charges	752,465	-	-	13,208	765,673
<b>Total Expenditures</b>	<b>16,760,323</b>	<b>74,667</b>	<b>102,861</b>	<b>2,172,995</b>	<b>19,110,846</b>
Excess (Deficiency) of Revenues over Expenditures	2,431,914	(19,153)	17,682	(576,143)	1,854,300
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	450,277	-	-	303,000	753,277
Transfers out	(753,277)	-	-	-	(753,277)
<b>Total Other Financing Sources (Uses)</b>	<b>(303,000)</b>	<b>-</b>	<b>-</b>	<b>303,000</b>	<b>-</b>
Net Change in Fund Balances	2,128,914	(19,153)	17,682	(273,143)	1,854,300
Fund Balances Beginning	6,094,823	326,202	21,747	5,471,641	11,914,413
Fund Balances Ending	\$ 8,223,737	\$ 307,049	\$ 39,429	\$ 5,198,498	\$ 13,768,713

The accompanying notes are an integral part of these financial statements.

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Government-Wide  
Statement of Activities  
For the Year Ended June 30, 2015**

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 1,854,300
Amounts reported for governmental activities in the Statement of Activities and Changes in net position were different because:	
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in net position, the cost of those assets was allocated over their estimated useful lives as depreciation expense.	
Capital outlay	1,411,285
Depreciation expense	(745,243)
Internal service funds are used by management to charge the costs of stores, vehicle maintenance, and various insurance costs to individual funds. The net revenue or (excess expenses) of the internal service funds is reported with government activities.	131,255
Certain revenues were not recorded or recorded as unearned revenue in the governmental funds because they did not meet the revenue recognition criteria of availability. However, they were included as revenue in the Government-Wide Statement of Activities under the full accrual basis.	253,041
Long-term compensated absences and claims payables were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources and were not reported as expenditures in governmental funds.	
Compensated absences	(212,888)
In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	1,361,922
Repayment of long-term debt was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of net position.	1,264,632
Certain expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the fund statements as follows:	
Other postemployment benefits	(112,716)
Amortization of prepaid pension obligation	(1,115,470)
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in net position, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the net change in accrued interest from and accreted interest from prior year.	(557,421)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 3,532,697</b>

The accompanying notes are an integral part of these financial statements.

**City of Pacific Grove**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Cemetery Fund	Sewer Fund	Golf Course Fund	Total Enterprise Funds	
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 12,446	\$ 5,711,267	\$ 139,374	\$ 5,863,087	\$ 549,485
Restricted cash and investments	-	-	-	-	450,000
Accounts receivable	-	520,641	-	520,641	-
Other assets	32,201	387	-	32,588	-
<b>Total current assets</b>	<b>44,647</b>	<b>6,232,295</b>	<b>139,374</b>	<b>6,416,316</b>	<b>999,485</b>
Non-current assets:					
Loans receivable	-	96,987	71,200	168,187	-
Property, plant and equipment - net	553,489	10,176,212	5,600,139	16,329,840	-
<b>Total non-current assets</b>	<b>553,489</b>	<b>10,273,199</b>	<b>5,671,339</b>	<b>16,498,027</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 598,136</b>	<b>\$ 16,505,494</b>	<b>\$ 5,810,713</b>	<b>\$ 22,914,343</b>	<b>\$ 999,485</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 16,406	\$ 362,056	\$ 17,803	\$ 396,265	\$ 13,127
Payroll and related liabilities	2,817	12,059	-	14,876	2,592
Accrued interest	-	9,238	55,186	64,424	-
Compensated absences - current portion	-	12,080	-	12,080	10,938
Long-term debt - due within one year	-	50,912	141,168	192,080	-
<b>Total current liabilities</b>	<b>19,223</b>	<b>446,345</b>	<b>214,157</b>	<b>679,725</b>	<b>26,657</b>
Non-current liabilities:					
Long-term debt - due in more than one year	-	1,052,184	2,903,599	3,955,783	-
Claims payable	-	-	-	-	1,010,923
Compensated absences	790	36,239	-	37,029	32,814
<b>Total non-current liabilities</b>	<b>790</b>	<b>1,088,423</b>	<b>2,903,599</b>	<b>3,992,812</b>	<b>1,043,737</b>
<b>Total liabilities</b>	<b>\$ 20,013</b>	<b>\$ 1,534,768</b>	<b>\$ 3,117,756</b>	<b>\$ 4,672,537</b>	<b>\$ 1,070,394</b>
<b>NET POSITION</b>					
Net Investment in capital assets	\$ 553,489	\$ 9,073,116	\$ 2,555,372	\$ 12,181,977	\$ -
Restricted for insurance reserve	-	-	-	-	450,000
Unrestricted	24,634	5,897,610	137,585	6,059,829	(520,909)
<b>Total net position</b>	<b>\$ 578,123</b>	<b>\$ 14,970,726</b>	<b>\$ 2,692,957</b>	<b>\$ 18,241,806</b>	<b>\$ (70,909)</b>

The accompanying notes are an integral part of these financial statements.

**City of Pacific Grove**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Cemetery Fund	Sewer Fund	Golf Course Fund	Total Enterprise Funds	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 193,327	\$ 2,908,507	\$ -	\$ 3,101,834	\$ 1,481,848
Rents and concessions	7,200	-	405,552	412,752	-
Other	47,674	4,499	-	52,173	-
<b>Total operating revenues</b>	<u>248,201</u>	<u>2,913,006</u>	<u>405,552</u>	<u>3,566,759</u>	<u>1,481,848</u>
<b>OPERATING EXPENSES</b>					
Contractual services and utilities	87,009	806,571	293,568	1,187,148	1,224,408
Personnel	95,563	412,439	95,682	603,684	129,610
Supplies and materials	17,665	219,449	95,819	332,933	-
Depreciation	31,024	285,742	167,645	484,411	-
<b>Total operating expenses</b>	<u>231,261</u>	<u>1,724,201</u>	<u>652,714</u>	<u>2,608,176</u>	<u>1,354,018</u>
Operating income (loss)	<u>16,940</u>	<u>1,188,805</u>	<u>(247,162)</u>	<u>958,583</u>	<u>127,830</u>
<b>NONOPERATING REVENUES(EXPENSES)</b>					
Intergovernmental	-	48,405	-	48,405	-
Gain from disposal of property, plant and equipment	-	-	50,705	50,705	-
Investment earnings	48	25,229	1,416	26,693	3,425
Interest expense	-	(37,764)	(158,952)	(196,716)	-
<b>Total nonoperating revenues(expenses)</b>	<u>48</u>	<u>35,870</u>	<u>(106,831)</u>	<u>(70,913)</u>	<u>3,425</u>
Income (loss) before operating transfers	16,988	1,224,675	(353,993)	887,670	131,255
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Change in net position	16,988	1,224,675	(353,993)	887,670	131,255
Total net position - beginning	561,135	13,746,051	3,046,950	17,354,136	(202,164)
Total net position - ending	<u>\$ 578,123</u>	<u>\$ 14,970,726</u>	<u>\$ 2,692,957</u>	<u>\$ 18,241,806</u>	<u>\$ (70,909)</u>

The accompanying notes are an integral part of these financial statements.

**City of Pacific Grove**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Cemetery Fund	Sewer Fund	Golf Course Fund	Total Enterprise Funds	
<b>Cash flows from operating activities:</b>					
Receipts from customers and users	\$ 248,801	\$2,934,649	\$ 310,459	\$ 3,493,909	\$ -
Receipts from interfund services provided	-	-	-	-	1,481,848
Payments for contractual services and utilities	(120,008)	(635,011)	(206,039)	(961,058)	(1,233,577)
Payments to suppliers	(17,665)	(219,449)	(95,819)	(332,933)	-
Payments to employees	(92,314)	(399,246)	(95,682)	(587,242)	(99,640)
Net cash provided (used) by operating activities	18,814	1,680,943	(87,081)	1,612,676	148,631
<b>Cash flows from noncapital financing activities:</b>					
Payments from other governments	-	48,405	-	-	-
Net cash provided (used) by noncapital financing activities	-	48,405	-	-	-
<b>Cash flows from capital financing activities:</b>					
Purchases (sales) of property, plant and equipment - net	(16,183)	(883,347)	66,437	(833,093)	-
Proceeds from long-term debt	-	-	3,130,505	3,130,505	-
Principal payments on long-term debt - net	-	(48,644)	(3,395,738)	(3,444,382)	-
Interest paid on long-term debt	-	(38,172)	(180,054)	(218,226)	-
Net cash provided (used) by capital financing activities	(16,183)	(970,163)	(378,850)	(1,365,196)	-
<b>Cash flows from investing activities:</b>					
Receipts from (payments on) loans receivable	-	16,391	(71,200)	(54,809)	-
Investment income received	48	25,229	1,416	26,693	3,425
Net cash provided (used) by investing activities	48	41,620	(69,784)	(28,116)	3,425
Net increase (decrease) in cash and cash equivalents	2,679	800,805	(535,715)	267,769	152,056
Cash and cash equivalents - beginning	9,767	4,910,462	675,089	5,595,318	847,429
Cash and cash equivalents - ending	\$ 12,446	\$ 5,711,267	\$ 139,374	\$ 5,863,087	\$ 999,485
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 16,940	\$ 1,188,805	\$ (247,162)	\$ 958,583	\$ 127,830
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	31,024	285,742	167,645	484,411	-
Change in operating assets and liabilities:					
Accounts receivables	600	21,643	5,636	27,879	-
Other assets	(32,201)	(387)	80,210	47,622	-
Accounts payable	(798)	171,947	7,319	178,468	(9,169)
Payroll related liabilities	2,817	12,059	-	14,876	2,592
Unearned revenue	-	-	(100,729)	(100,729)	-
Compensated absences	432	1,134	-	1,566	27,378
Net cash provided (used) by operating activities	\$ 18,814	\$ 1,680,943	\$ (87,081)	\$ 1,612,676	\$ 148,631

The accompanying notes are an integral part of these financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Pacific Grove, California, (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

***A. Financial Reporting Entity***

The City of Pacific Grove, California is primarily a residential community located at the tip of the Monterey Peninsula on the Central California coast. The community was founded as a Methodist Church summer retreat, and was incorporated as a city on July 16, 1889. It was granted a charter by the State on April 22, 1927. The city operates under a council-manager form of government. The seven-member City Council appoints a City manager, who is the administrative head of the municipal government. City amenities include a library, natural history museum, a community center, a youth center, a senior center, a golf course, a cemetery, sewer services, a monarch butterfly sanctuary and habitat preserve and general administration services.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City Council acts as the governing board. In addition, the City staff performs all administrative and accounting functions for these entities and these entities provide their services entirely to the City. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize their legal separateness from the City. Each blended component unit has a June 30 year-end. The City had no component units as of June 30, 2015.

The City applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued *GASBS No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This includes pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, unless those pronouncements conflict with or contradict with GASB pronouncements.

***B. Basis of Accounting and Measurement Focus***

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**Government-Wide Financial Statements**

The City's government-wide financial statements include a *Statement of Net Position* and a *Statement of Activities and Changes in Net Position*. These statements present summaries of governmental and business-type activities for the City. Fiduciary activities of the City are not included in these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources (including capital assets, as well as infrastructure assets, and long-term liabilities), are included in the accompanying *Statement of Net Position*. The *Statement of Activities* presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those clearly identifiable with a specific function or segment. In conformity with the City's indirect cost allocation plan, certain indirect costs are included in the program expense reported for individual functions and activities.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the *Statement of Net Position* have been eliminated. The following interfund activities have been eliminated:

- Transfers in/Transfers out
- Internal Service Fund charges

**Governmental Fund Financial Statements**

Governmental fund financial statements include a *Balance Sheet* and a *Statement of Revenues, Expenditures and Changes in Fund Balances* for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the balance sheets. The

*Statement of Revenues, Expenditures and Changes in Fund Balances* present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (up to 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Fines, forfeitures, licenses and permits and parking meter revenues are not susceptible to accrual because they are usually not measurable until received in cash. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unearned revenue is removed from the combined balance sheet and revenue is recognized.

The following funds are major funds:

**General Fund**

The General Fund is the general operating fund of the City. It is used for all financial resources except those required legally, or by sound financial management to be accounted for in another fund. Generally, the General Fund is used to account for those traditional governmental services of the City, such as police and fire protection, planning and general administrative services.

**Housing Program Fund**

This special revenue fund accounts for the administration and operation of the City's low and moderate income housing program. Principal revenues consist of payments received from loans extended to low and moderate income housing citizens, proceeds from the sale of housing properties and federal grants.

**Community Development Block Grant Fund**

This special revenue fund was established to account for amounts received from Community Development Block Grants and for the loan and administrative activities of the City's various CDBG grants.

Additionally, the City reports the following nonmajor fund types of governmental funds:

**Special Revenue Funds**

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to specific purposes other than debt service or capital projects.

**Debt Service Funds**

Debt service funds account for the accumulation of resources for, and payment on, long-term obligation debt principal and interest.

### **Capital Project Funds**

Capital project funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets in governmental funds.

### **Permanent Funds**

Permanent funds account for and report financial resources for the principal corpus of endowments where only the investment earnings can be spent on specified purposes. The City is the beneficiary of several trusts for its citizens that are classified as permanent funds as follows:

Library Endowment Trust. - established to finance the purchase of additional books and materials for the library.

Cemetery Endowment Care Trust - which accounts for "Endowment Care" revenues received in trust for the care of decedents' graves.

Lawrence and Millie Yount Trust - established in 1992, in the amount of approximately \$900,000 including the Yount's residence. The income from this Trust may be expended for the beautification of the City and for minor improvements on the educational and/or recreational facilities maintained by the City.

In addition, the City is the beneficiary of the Bertha L. Strong Trust, established in 1956. Under its terms, the principal of the Trust may only be used for the construction of a new City Hall or the expansion of certain City facilities used for education or recreation, except those usually authorized to be constructed or expanded by taxing, bonding or assessing. Trust income may only be used for beautification of the City, and is released by the Trustee only on application by the City. Since neither the principal nor the income of the Trust are under the control of the City, these amounts are not reflected in these financial statements. The fair value balance held by the Trustee at June 30, 2015 was \$923,086.

### **Proprietary Funds**

In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the "economic resources measurement focus". This means all assets, deferred outflows of resources, liabilities (whether current or noncurrent) and deferred inflows of resources associated with their activities are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Non-operating revenues, such as subsidies, taxes, and investment earnings result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the internal service funds financial statements.

The City has the following enterprise funds that have been reported as major:

### **Cemetery Fund**

The Cemetery Fund accounts for revenues and expenses of the City's cemetery.

**Sewer Fund**

The Sewer Fund accounts for revenues and expenses of the City's sewer operations.

**Golf Course Fund**

The Golf Course Fund accounts for the revenues and expenses of the City's golf course operations, including the pro shop, clubhouse and driving range.

The City's internal service funds are proprietary funds. Internal service funds account for charges to City departments for services provided, on a cost reimbursement basis, in the following areas: health insurance, workers compensation, insurance, liability insurance and other postemployment benefits.

***C. Cash, Cash Equivalents and Investments***

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

Deposit and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures* (Amendment of GASB Statement No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit Risk
- Foreign Currency Risk

Other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

***D. Interfund Receivables and Payables***

Items classified as interfund receivables/payables are referred to as “advances to/advances from other funds” or as “due to/from other funds”. Due to/from other funds include short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund. Advances to/advances from other funds represents non-current portions of any long-term lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and therefore, is not available for appropriation.

***E. Receivables***

Billed, but unpaid, services provided to individuals or non-governmental entities are recorded as accounts receivable. The Sewer customers are billed every other month by a separate government agency which forwards the collections to the City. Revenues earned but not collected by year-end are accrued. No allowance for uncollectible accounts receivable has been provided as management has determined that uncollectible accounts have historically been immaterial and the direct write-off method does not result in a material difference from the allowance method.

***F. Loans Receivable***

Under the City's housing assistance program, loans are made to qualified individuals and businesses within prescribed project areas for the purpose of housing acquisition, housing rehabilitation and/or economic development. The majority of these loans are on a deferred payback program. Repayments of the outstanding loans are classified as a revenue source in the applicable funds. The long-term portion of loans receivable has been offset by *Unearned Revenues* in the accompanying financial statements, as applicable. The City also offers Sewer Lateral Replacement Loans to homeowners. The disbursement of loans are recorded as expenditures at the time of a loan and the repayment of principal and interest is deferred until the property is sold.

***G. Capital Assets***

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-Wide Financial Statements to the extent the City's capitalization threshold is met.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the governmental-wide financial statements. The City defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Interest is capitalized on the construction or acquisition of major assets using debt proceeds. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized during the year ended June 30, 2015.

Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Land improvements	10 – 20 Years
Buildings	15 – 70 Years
Sewer lines	40 Years
Machinery and equipment	3 – 30 Years
Infrastructure	70 Years

***H. Deferred Outflows/Deferred Inflows***

Deferred outflows of resources is a consumption of net assets by the City that is applicable to a future reporting period; for example, prepaid items and deferred charges.

Deferred inflows of resources is an acquisition of net assets by the City that is applicable to a future reporting period; for example, unearned revenue and advance collections.

The City is a member of the California Public Employees' Retirement System (PERS). In fiscal year 2006/07, the City issued \$19,365,355 in Pension Obligation Bonds in order to pay the City's unfunded actuarial accrued liability with PERS. The payment to PERS is a deferred charge reported as a deferred outflow of resources in the government-wide financial statement and is being amortized on a straight-line basis over the 24 year life of the bonds.

***I. Interest Payable***

In the government-wide financial statements, interest payable of long-term debt is recognized as an incurred liability for governmental fund types. The City has not allocated the interest on long-term debt to departments.

In the fund financial statements, governmental fund types do not recognize the interest payable when the liability is incurred. Interest on long-term debt is recorded in the fund statements when payment is made.

***J. Claims Payable***

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for general liability and workers' compensation claims. The estimated liability for these claims include "incurred but not reported" (IBNR) claims. There is no fixed payment schedule to pay these liabilities.

***K. Deferred Compensation Plan***

City employees may defer a portion of their compensation under a City sponsored. Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, and death or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

***L. Compensated Absences***

Compensated absences comprise of unpaid vacation and the vested portion of sick leave, which are accrued as earned. The City's liability for the compensated absences is recorded in various Governmental funds or Proprietary funds as appropriate. The liability for compensated absence is determined annually. For all governmental funds, amounts expected to be paid out of current financial resources are recorded in fund liabilities. The long-term portion is recorded in the Statement of Net Position and represents a

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reconciling item between the fund and government-wide presentations. The following is a summary of the changes in compensated absences for the fiscal year ended June 30, 2015:

Description	Balance			Balance June 30, 2015	Due Within One Year
	June 30, 2014	Additions	Retirements		
<b>Compensated Absences</b>					
Government Activities	\$ 948,365	\$ 196,513	\$ -	\$ 1,144,878	\$ 286,220
Business-Type Activities	47,543	1,566	-	49,109	12,080
Total Compensated Absences	<u>\$ 995,908</u>	<u>\$ 198,079</u>	<u>\$ -</u>	<u>\$ 1,193,987</u>	<u>\$ 298,300</u>

Compensated absences and the net OPEB obligation are generally liquidated by the General Fund or Proprietary Funds.

**M. Long-Term Obligations**

In the government-wide financial statements and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are expensed in year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**N. Pension Expense**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**O. Fund Balances**

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

**Nonspendable**

Nonspendable fund balance includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

**Restricted**

Restricted fund balance includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

**Committed**

Committed fund balance includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the City Council.

**Assigned**

Assigned fund balance includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the City Manager.

**Unassigned**

The Unassigned Fund Balance category represents fund balance which may be held for specific types of uses or stabilization purposes, but is not yet directed to be used for a specific purpose. The detail of amounts reported for each of the above defined fund balance categories is reported in the governmental funds balance sheet and in the combining nonmajor fund balance sheets.

**Flow Assumption / Spending Order Policy**

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to be spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to be spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has directed otherwise.

**Deficit Fund Balances**

The City reported deficit fund balances five special revenue funds totaling \$194,222 and the combined internal service funds totaling \$70,909. The deficit fund balances are expected to be eliminated through future grant revenues, contributions and interfund transfers. Management will continue to monitor the activities within these funds.

***P. Net Position***

In the government-wide financial statements, net position is classified in the following categories:

**Net Investment in Capital Assets**

This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position

**Restricted Net Position**

This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments. Certain proceeds of the Pacific Grove Public Financing Authority revenues bonds and the loan receivable from the Pacific Grove Successor Agency are reported as restricted net position because their use is limited by applicable bond or other covenants.

**Unrestricted Net Position**

This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The detail of amounts reported for each of the above defined net position categories is reported in the government-wide Statement of Net Position.

**Use of Restricted/Unrestricted Net Position**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

**Deficit Net Position – Governmental Activities**

The implementation of GASB 68 required the City to decrease beginning net position by \$30.1 million and record a net pension liability of \$23.1 million as of June 30, 2015 for its CalPERS pension plans. As a result, the City's unrestricted net position for governmental activities was a deficit \$28.4 million and the City's total net position for governmental activities was a deficit of \$68,521 as of June 30, 2015. Total net position for both governmental and business-type activities combined was a positive \$18.2 million. The City's financial health and evaluation of its going concern has been based on its fund statements, ending fund balance and future budgets instead of the government-wide statements and net position.

***Interfund Transactions***

Interfund services provided and used are accounted for as revenue, expenditures or expenses, as appropriate. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursed fund. All other interfund transactions, except for interfund services provided and used and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as transfers.

***Q. Property Taxes and Special Assessments***

County tax assessments include secured and unsecured property taxes and special assessments. "Unsecured" refers to taxes on personal property. These tax assessments are secured by liens on the property being taxed.

Monterey County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year.

Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after year end. Property tax on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum tax of \$1.00 per \$100 of full cash value.

***R. Budgetary Information***

In accordance with applicable sections of the California Government Code and the Pacific Grove Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated

budgets are adopted for the General Fund, specific Special Revenue Funds, and specific Capital Projects Funds.

Budget plans are adopted for Proprietary Funds. A proposed budget is presented to the City Council during May of each year for review. The Council holds public hearings and may add to, subtract from, or change appropriations within the revenues and reserves estimated as available. Expenditures may not legally exceed budgeted appropriations at the fund level. Supplementary appropriations which alter the total expenditures of any fund, or expenditures in excess of total budgeted fund appropriations, must be approved by the City Council.

All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered.

***Excess of Expenditures over Appropriations***

Expenditures exceeded budget in the CDBG Grant fund by \$74,361 for the year ended June 30, 2015. However, revenues exceeded budget by \$120,453 resulting an increase in fund balance of \$39,429.

***S. Encumbrances***

Under encumbrance accounting, purchase orders, contract and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all funds. All appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

***T. Unearned Revenue***

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows from unearned revenue.

***U. Use of Estimates***

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***V. Subsequent Events***

Management has considered subsequent events through October 28, 2015, the date which the financial statements were available to be issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

***W. Implemented New GASB Pronouncements***

**GASB Statement No. 68** – *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 (Issued 06/12)*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement has been implemented as of June 30, 2015 resulting in a prior period adjustment of \$30.1 million. See Note 8 for information related to the financial statement impact of this statement.

**GASB Statement No. 69** – In January, 2013, GASB issued Statement No. 69, *Government Combinations and Disposal of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposal of government operations. As used in this Statement, combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. There was no financial statement effect related to this Statement.

**GASB Statement No. 70** – In April, 2013, GASB issued Statement No 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). The City does not participate in nonexchange financial guarantees. Therefore, this Statement had no financial statement effect.

**GASB Statement No. 71** – In November, 2013, GASB issued Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement were required to be applied simultaneously with the provisions of Statement 68 and have been implemented as of June 30, 2015. See Note 8 for information related to the financial statement impact of this statement.

***X. Upcoming New Accounting Pronouncements***

**GASB Statement No. 72** – In February, 2015, GASB issued Statement No 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015 (fiscal year ending June 30, 2016). The City is in the process of determining the impact this statement will have on the financial statements, but does not anticipate a material impact on its financial statements.

**GASB Statement No. 73** – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Effective date: the provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement also clarifies the application of certain provisions of Statements 67 and 68. The City is in the process of determining the impact this statement will have on the financial statements, but does not anticipate a material impact on its financial statements.

**GASB Statement No. 74** – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Effective date: the provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. Management anticipates that this statement will not have a direct impact on the City's financial statements.

**GASB Statement No. 75** – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Effective date: the provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

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In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity. The City is in the process of determining the impact this statement will have on the financial statements.

**GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.** Effective date: the provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Management anticipates that this statement will not have a material impact on the City’s financial statements.

**GASB Statement No. 77 – *Tax Abatement Disclosures*.** Effective date: the requirements of this Statement are effective for reporting periods beginning after December 15, 2015. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Management anticipates that this statement will not have a material impact on the City’s financial statements.

**NOTE 2 - CASH AND INVESTMENTS**

As of June 30, 2015, cash and investments were reported in the financial statements as follows:

	Statement of Net Position		Total
	Unrestricted	Restricted	Cash and Investments
Cash on hand	\$ 685	\$ -	\$ 685
Deposits with financial institutions	2,104,530	450,000	2,554,530
Local Agency Investment Fund	9,126,363	-	9,126,363
Certificates of deposit	4,648,406	-	4,648,406
Government Securities	4,416,018	-	4,416,018
Total cash and investments	<u>\$ 20,296,002</u>	<u>\$ 450,000</u>	<u>\$ 20,746,002</u>

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**A. Cash Deposits**

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest, and places the City ahead of general creditors of the institution.

The market value of pledged securities must equal at least 110 percent of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes that have a value of 150 percent of the City's total cash deposits. The City has waived the collateral requirements for cash deposits which are fully insured to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

The bank balances before reconciling items totaled \$2,722,809 at June 30, 2015 and were different from carrying amounts due to deposits in transit and outstanding checks. The amount uninsured was \$2,222,809 which was collateralized by securities held by pledging financial institutions.

**B. Investment Policies**

**City Investment Policy**

Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments are authorized:

Authorized Investment Type	Maximum Maturity (1)	Maximum Total of Portfolio	Maximum Investment in Anyone Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	20%	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	2 years	20%	None
County Pooled Investment Funds	1 year	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

The City is in compliance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools* which requires the City's investments be recorded at fair value instead of cost. Under GASB 31, the carrying value of investments are adjusted to reflect their fair value at each fiscal year-end, with the effects of these adjustments included in the carrying value of the investments.

**Authorized Investments - Debt Trustee Agreements**

Investments held by bond fiscal agents (trustees) are governed by the provisions of the underlying indenture agreements rather than the general provisions of the City's investment policy or California Government Code.

The indenture agreements do identify the following permitted investments:

<u>Authorized Investment Type</u>	<u>Maximum Maturity (1)</u>	<u>Maximum Total of Portfolio</u>	<u>Maximum Investment in Anyone Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180	None	None
Commercial Paper	270	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Certificates of Deposits	1 year	None	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Municipal Bonds	None	None	None

**C. External Investment Pool**

The City's investments with LAIF at June 30, 2015, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

**Structured Notes**

These are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

**Asset-Backed Securities**

The bulk of asset-backed securities are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The approved investments policy is listed on the LAIF website, located at <http://www.treasurer.ca.gov/pmia-laif/>.

**D. Risk Disclosures**

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the term of an investment's maturity, the greater the sensitivity to changes in market interest rates. It is the City's practice to manage its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for City's operations.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2015, the City's investments were in compliance with the ratings required by the City's investment policy, indenture agreements and Government Code.

**Concentrations of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2015, the City had no investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represented 5% or more of the total City investments.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2015, the City's investments had the following maturities and ratings:

Cash or Investment Type	Investment Maturities in Years			Year End Rating		Fair Value
	12 months or less	13 to 36 Months	37 to 60 Months	AAA	Not Rated	
Local Agency Investment Fund (LAIF)	\$ 9,126,363	\$ -	\$ -	\$ -	\$ 9,126,363	\$ 9,126,363
Certificates of deposit	497,525	3,292,452	739,506	-	4,533,757	4,529,483
Government Securities	275,978	4,014,060	244,903	4,534,941	-	4,534,941
Total Investments	<u>\$ 9,899,866</u>	<u>\$ 7,306,512</u>	<u>\$ 984,409</u>	<u>\$ 4,534,941</u>	<u>\$ 13,660,120</u>	18,190,787
Cash in banks and on hand						2,555,215
Total Cash and Investments						<u>\$ 20,746,002</u>

**NOTE 3 - INTERFUND TRANSACTIONS**

**A. Inter-fund Receivables and Payables**

Amounts due to or due from other funds reflect inter-fund balances for services rendered or short-term loans expected to be repaid in the next fiscal year. Advances to or from other funds are long-term loans between funds that are to be repaid in their entirety over several years. As of June 30, 2015, inter-fund receivables and payables consisted of the following \$150,000 due to the General Fund from the 2013 CDBG fund.

**B. Transfers In/Out**

With Council approval resources may be transferred from one fund to another. Transfers routinely reimburse funds that have made an expenditure on behalf of another fund. Transfers may also be made to pay for capital projects or capital outlays, lease or debt service payments, operating expenses and low and moderate-income housing projects. Transfers between funds during the fiscal year ended June 30, 2015 were \$303,000 from the General Fund to the Public Safety Augmentation Fund, \$50,277 from the General Fund to the Vehicle Replacement Fund and \$400,000 from the General Fund to the Storm Water Fund. The Vehicle Replacement and Storm Water funds are sub-funds of the General Fund.

**NOTE 4 - LOANS RECEIVABLE**

Loans receivable consisted of the following as of June 30, 2015:

**Housing Assistance Loans**

The City engages in programs designed to encourage construction or improvement in low-to-moderate income housing. Under these programs, loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's terms. Terms include interest rates of three to five percent and deferral of principal and interest payment until the property changes hands. All loans are secured by a deed of trust on the property. Although these loans and notes are expected to be repaid in full, their balances are offset by deferred revenue in the respective governmental funds as they are not expected to be repaid during the current fiscal year. The balance of the loans receivable arising from these programs was \$1,845,581 as of June 30, 2015.

**Sewer Lateral Replacement Loans**

The City has a Sewer Lateral Repair/Replacement Loan Program to improve sewer lateral lines connected to homeowners' residences. These loans carry an interest rate of three percent per annum. Repayment on loan principal and interest are deferred until the property is sold. All loans are secured by a deed of trust on the property. The balance of these loans receivables from this program was \$96,987 as of June 30, 2015.

**Golf Course Equipment Loans**

In September of 2014, the City leased its golf course to Pacific Grove Golf, LLC (the Tenant) whereas the Tenant would operate and manage the golf course and pay the City rent. Certain equipment owned by the City was sold to the Tenant as a part of the lease establishing a loan receivable totaling \$84,550. The balance of the loan receivable from this transaction was \$71,200 as of June 30, 2015.

**NOTE 5 - CAPITAL ASSETS**

Capital assets consisted of the following as of June 30, 2015:

	Balance July 01, 2014	Additions	Retirements	Balance June 30, 2015
<b>Governmental activities:</b>				
Nondepreciable Capital Assets:				
Land	\$ 2,338,270	\$ -	\$ -	\$ 2,338,270
Total nondepreciable capital assets	<u>2,338,270</u>	<u>-</u>	<u>-</u>	<u>2,338,270</u>
Depreciable capital assets:				
Buildings and improvements	11,978,627	88,958	-	12,067,585
Machinery and equipment	4,170,688	1,054,373	-	5,225,061
Infrastructure	22,870,169	267,954	(1,143,351)	21,994,772
Total depreciable capital assets	<u>39,019,484</u>	<u>1,411,285</u>	<u>(1,143,351)</u>	<u>39,287,418</u>
Accumulated depreciation:				
Buildings and improvements	(6,546,729)	(151,915)	-	(6,698,644)
Machinery and equipment	(3,825,064)	(144,919)	1,143,351	(2,826,632)
Infrastructure	(8,930,487)	(448,409)	-	(9,378,896)
Total accumulated depreciation	<u>(19,302,280)</u>	<u>(745,243)</u>	<u>1,143,351</u>	<u>(18,904,172)</u>
Total depreciable capital assets - net	<u>19,717,204</u>	<u>666,042</u>	<u>-</u>	<u>20,383,246</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 22,055,474</u>	<u>\$ 666,042</u>	<u>\$ -</u>	<u>\$ 22,721,516</u>

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	Balance July 01, 2014	Additions	Retirements	Transfers	Balance June 30, 2015
<b>Business-Type Actiites:</b>					
Nondepreciable Capital Assets:					
Land	\$ 362,973	\$ -	\$ -	\$ -	\$ 362,973
Total nondepreciable capital assets	<u>362,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>362,973</u>
Depreciable capital assets:					
Buildings and improvements	12,509,322	18,115	-	(3,044,722)	9,482,715
Infrastructure	2,095,183	19,304	(1,229,290)	-	12,259,086
Machinery and equipment	8,331,019	883,345	-	3,044,722	885,197
Total depreciable capital assets	<u>22,935,524</u>	<u>920,764</u>	<u>(1,229,290)</u>	<u>-</u>	<u>22,626,998</u>
Less: accumulated depreciation	<u>(7,368,039)</u>	<u>(483,310)</u>	<u>1,191,219</u>	<u>-</u>	<u>(6,660,130)</u>
Total depreciable capital assets - net	<u>15,567,485</u>	<u>437,454</u>	<u>(38,071)</u>	<u>-</u>	<u>15,966,868</u>
<b>Business-Type Actiites Capital assets, net</b>	<u>\$ 15,930,458</u>	<u>\$ 437,454</u>	<u>\$ (38,071)</u>	<u>\$ -</u>	<u>\$ 16,329,841</u>

Depreciation expense was charged to the following governmental functions in the statement of activities:

General Government	\$ 75,748
Public Safety	114,777
Public Works	499,103
Recreation	38,547
Library	5,489
Museum	11,579
Total Depreciation Expense	<u>\$ 745,243</u>

**NOTE 6 - LONG-TERM DEBT**

The City's long-term debt consisted of the following as of June 30, 2015:

Description	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
<b>Governmental Activity Long Term Debt</b>					
2003 Refunding Butterfly Habitat GOB	\$ 336,197	\$ -	\$ 78,758	\$ 257,439	\$ 82,382
Pierce Dash 2000 Pumper Capital Lease	94,984	-	46,586	48,398	48,398
PNC Equipment Finance Capital Lease	207,550	-	55,187	152,363	67,717
Taxable Pension Obligation Bond	11,336,179	-	1,084,100	10,252,079	1,056,056
Accreted Interest	6,761,687	1,148,693	730,901	7,179,479	818,943
Total Governmental Activities Debt	<u>\$ 18,736,597</u>	<u>\$ 1,148,693</u>	<u>\$ 1,995,532</u>	<u>\$17,889,758</u>	<u>\$ 2,073,496</u>
<b>Business-Type Activity Long Term Debt</b>					
2013 Wastewater Revenue Refunding Bond	\$ 1,151,740	\$ -	\$ 48,644	\$ 1,103,096	\$ 50,912
2014 Golf Course Site Lease	-	3,130,505	85,738	3,044,767	141,168
2004 Certificates of Participation (Golf Course)	3,310,000	-	3,310,000	-	-
Total Business-type Activities Debt	<u>\$ 4,461,740</u>	<u>\$ 3,130,505</u>	<u>\$ 3,444,382</u>	<u>\$ 4,147,863</u>	<u>\$ 192,080</u>

The following is a summary of the City's long-term debt as of June 30, 2015:

**2003 General Obligation Refunding Note**

The City issued the Butterfly Habitat Bonds on the principal amount of \$1,230,000 in 1990 to acquire and improve an ancient wintering site for Monarch Butterflies consisting of a 2.2 acres parcel. On November 1, 2003, the City entered into a \$963,793 General Obligation Refunding Note. This note was issued to

refund the remaining principal amount and accrued interest from the 1990 Butterfly Habitat Bonds. Semi-annual principal and interest are due February 1 and August 1. Interest on the Refunding Note is 4.45 percent and matures on August 1, 2017.

**Pierce Dash 2000 Pumper Capital Lease**

The City entered into an agreement to finance a pumper. Annual principal and interest payments are due on August 15 of each year. Interest on the lease is 3.885 percent and matures on August 15, 2015.

**PNC Equipment Finance Capital Lease**

The City entered into an agreement to finance equipment for public works and police vehicles. Principal and interest payments of \$16,929 are due quarterly. Interest on the lease is 3.393 percent and matures on September 13, 2017.

**Pension Obligation Bond**

On June 1, 2006, the City issued Taxable Pension Obligation Bond in the principal amount of \$19,365,355. The bonds were part of the California Statewide Communities Development Authority Taxable Pension Obligation Bonds Program. The purpose of the bond is to provide monies to meet the unfunded accrued actuarial liability ("UAAL") to the California Public Employee's Retirement System ("PERS"). Semi-annual payments are due on June 1 and December 1. Interest on the bonds ranges from 5.67 percent to 6.12 percent and they mature on June 1, 2029.

**2013 Wastewater Revenue Refunding Bond**

On May 6, 2013, the City issued the 2013 Wastewater Revenue Refunding Bonds in the principal amount of \$1,220,588. The purpose of the bond is to refinance the California State Community Development Authority Series 2001B Revenue Bonds. Semi-annual interest payments are due on April 1 and October 1. Repayments are secured by future sewer service revenues. Interest on the bonds is 3.35 percent and matures on October 1, 2031.

**2004 Certificates of Participation (Golf Course Project)**

On August 1, 2004, the City issued 2004 Certificates of Participation (Golf Course Project) in the principal amount of \$3,960,000. Proceeds were used to finance capital improvements to the City's municipal golf course. Semi-annual interest payments are due on February 1 and August 1 and annual principal payments are due on August 1. Repayments are secured by future revenues from the operation of the City's Golf Course Enterprise fund. Interest rates range from 2.75 percent to 5.75 percent. The Certificates mature on August 1, 2034. The 2004 Certificates of Participation were refunded in fiscal year 2014/15.

**2014 Golf Course Site Lease**

The City entered into a \$3,130,505 Site Lease dated September 1, 2014 with Umpqua Bank to Refund the 20014 Golf Course Certificate of Participation. The lease bears interest at 4.35% with debt service payments due on February 1st and August 1st through 2030. The lease is secured by the transfer of property rights to Umpqua Bank and includes a prepayment penalty 1% if paid before February 1, 2020 and .5% if paid before February 1, 2021.

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The annual debt service requirements on the bonds are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2016	\$ 1,254,553	\$ 832,720	\$ 192,080	\$ 167,472	\$ 2,446,825
2017	1,170,427	924,033	200,514	159,519	2,454,493
2018	1,099,938	1,010,287	209,089	151,261	2,470,575
2019	958,325	1,106,675	217,860	142,607	2,425,467
2020	927,700	1,202,300	226,773	133,632	2,490,405
2021-2025	3,570,526	6,104,474	1,279,559	519,693	11,474,252
2026-2030	1,728,810	4,561,185	1,563,589	231,838	8,085,422
2031-2035	-	-	258,399	7,121	265,520
Total	<u>\$ 10,710,279</u>	<u>\$ 15,741,674</u>	<u>\$ 4,147,863</u>	<u>\$ 1,513,143</u>	<u>\$ 32,112,959</u>

**NOTE 7 - RISK MANAGEMENT**

The City is a member of the Public Agency Risk Sharing Authority of California (P ARSAC), a joint powers authority which provides annual general liability coverage up to \$14,000,000 in the aggregate. The City retains the risk for the first \$150,000 in the general liability claims.

PARSAC is governed by a board consisting of representatives from member municipalities. The board controls the operations of PARSAC, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's premiums are based upon the following factors: claims history, total payroll, the City's exposure, the results of an on-site underwriting inspection, total insurable values, and employee classification ratings. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating which generally occurs in the third year after the completion of the program year.

Financial statements for the Authority may be obtained from PARSAC, 1525 Response Road, Suite One, Sacramento, CA 95815.

The City is a member of the California Public Entity Insurance Authority (CPEIA); a joint power authority which provides excess worker's compensation liability claims coverage above the City's self-insured retention of \$100,000 per occurrence. Losses above the self-insured retention are pooled with excess reinsurance purchased to a \$45,000,000 limit. CPEIA was established for the purpose of creating a risk management pool for all California public entities. CPEIA is governed by a Board of Directors consisting of representatives of its member public entities.

As of July 1, 2006 the City joined PARSAC for its worker's compensation liability coverage.

An estimated liability has been accrued for unpaid claims, including the effects of specific, incremental claim adjustments expenditures/expenses; salvage or subrogation; and allocated claim adjustment expenditures/expenses. There was no change in the estimated liability during the fiscal year ended June 30, 2015.

**NOTE 8 - RETIREMENT PLANS**

*General Information about the Pension Plans*

**Plan Description** - All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous and Safety Employee Pension Plans (the Plans); cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The cost of living adjustments for the Plans are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<b>Miscellaneous</b>			<b>Safety</b>
	Tier 1	Tier 2	PEPRA	
Hire date	Before June 27, 2011	After June 27, 2011; Before January 1, 2013	On or after January 1, 2013	N/A
Benefit formula	2% @ 55	2% @ 60	2% @ 62	3% @ 50
Benefit vesting schedule	5 Years	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	55	60	62	50
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	2.00%	2.00%	2.00%
Required employee contribution rates	8.00%	7.00%	6.25%	9.00%
Required employer contribution rates	11.44%	8.00%	6.25%	27.35%

**Employees Covered** - At June 30, 2015, the following employees were covered by the benefit terms for the Plans:

	<u>Miscellaneous</u>	<u>Safety</u>
Active	59	16
Transferred	26	37
Separated	41	10
Retired	119	102
Total	<u>245</u>	<u>165</u>

**Contributions** - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rates are the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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For the year ended June 30, 2015, the contributions recognized as part of pension expense for the Plans were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions - employer	\$ 1,229,680	\$ 1,693,106
Contributions - employee	242,183	158,255

*Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 9,385,211
Safety	13,738,132
Total Net Pension Liability	<u>\$ 23,123,343</u>

The City's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans are measured as of June 30, 2014, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plans as of June 30, 2013 and 2014 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2013	0.3902%	0.3725%
Proportion - June 30, 2014	0.3797%	0.3663%
Change	<u>-0.0105%</u>	<u>-0.0063%</u>

For the year ended June 30, 2015, the City recognized pension expense of \$(598,045). At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous</u>		<u>Safety</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 287,104	\$ -	\$ 476,773	\$ -
Adjustment due to Differences in Proportions	310,586	-	533,177	-
Net differences between projected and actual earnings on plan investments	-	3,123,517	-	4,120,884
Total	<u>\$ 597,690</u>	<u>\$ 3,123,517</u>	<u>\$ 1,009,950</u>	<u>\$ 4,120,884</u>

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The City reported \$763,877 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Miscellaneous	Safety
	Recognized to Pension Expense	
2016	\$ (669,955)	\$ (839,801)
2017	(669,955)	(839,801)
2018	(692,141)	(877,884)
2019	(780,880)	(1,030,221)
Total	<u>\$ (2,812,931)</u>	<u>\$ (3,587,707)</u>

**Actuarial Assumptions** - The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.50 percent for the Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plans, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website. According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding

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administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year.

CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach.

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount*

**Rate** - The following presents the City’s proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.50%	6.50%
Net Pension Liability	\$ 16,662,928	\$ 23,588,844
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$ 9,385,211	\$ 13,738,132
1% Increase	8.50%	8.50%
Net Pension Liability	\$ 3,345,396	\$ 5,621,571

**Pension Plan Fiduciary Net Position** - Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS PLAN**

**Plan Description**

The City of Pacific Grove Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the City.

- Eligibility and Contributing Requirements - Employees are eligible for postretirement medical benefits upon reaching the age of 50 with a minimum of 5 years of service. The City contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act (\$115 per month in 2013). The City also pays an additional \$150 per month for the first five years after retirement, or until age 65, whichever is sooner (Police officers require 20 years of service to receive the 5-year benefit.) Retirees must contribute any premium amounts in excess of the City contributions described above.
- Medical Plans - Retirees can enroll in any of the available CalPERS medical plans.
- Duration of Benefits - City provided benefits (except for the \$150 supplement described above) continue for the life of the retiree and surviving spouse.

The Plan does not issue a separate financial report.

**Funding Policy**

The City contributes to the OPEB plan on a pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligation**

The City’s annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

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The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and the changes in the City's net OPEB obligation:

	<u>June 30, 2015</u>
Annual required contribution	\$ 217,811
Interest on net OPEB obligation	17,617
Adjustment to annual required contribution	<u>(20,715)</u>
Annual OPEB cost (expense)	214,713
Contributions made	<u>(101,997)</u>
Increase in net OPEB obligation	112,716
Net OPEB obligation - beginning of year	<u>440,427</u>
Net OPEB obligation - end of year	<u><u>\$ 553,143</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year 2015 and the two preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 192,830	50%	\$ 330,940
2014	192,830	48%	440,427
2015	214,713	48%	553,143

**Funded Status and Funding Progress**

The funded status of the Plan was as follows as of June 30, 2015:

Actuarial accrued liability (AAL)	\$ 2,854,479
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 2,854,479</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Projected covered payroll (active Plan members)	\$ 7,521,909
UAAL as a percentage of covered payroll	38%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are

designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the July 1, 2012, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and a 3% general inflation assumption. The Medicare medical cost increase rates were 4% per year. The initial unfunded actuarial accrued liability was amortized as a level percentage of projected payroll over a fixed 30-year period, of which 23 years remain.

#### **NOTE 10 - COMMITMENTS AND CONTINGENCIES**

##### ***A. Lawsuits***

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

##### ***B. Federal and State Grant Programs***

The City participates in Federal and State grant programs. These programs are audited by the City's independent accountants if required by and in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 and applicable State requirements. For Federal programs, the City did not reach the level of qualifying expenditures during the current fiscal year that would require a single audit. Expenditures which may be disallowed, if any, by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**City of Pacific Grove**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**General Fund**  
**June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 5,834,000	\$ 5,794,000	\$ 5,750,806	\$ (43,194)
Sales and use taxes	3,704,000	3,198,000	3,534,495	336,495
Franchise and other taxes	809,000	848,000	919,377	71,377
Transient occupancy taxes	3,831,125	3,494,000	4,468,965	974,965
Utility users taxes	1,475,000	1,638,000	1,428,360	(209,640)
Business license tax	350,000	340,000	327,463	(12,537)
Other taxes	70,000	70,000	102,627	32,627
Intergovernmental revenues	510,000	129,500	163,543	34,043
License, permits and impact fees	413,000	406,202	440,403	34,201
Fines and forfeitures	72,000	82,500	49,714	(32,786)
Charges for services	974,675	1,028,508	983,061	(45,447)
Interest, rents and concessions	159,775	218,325	433,491	215,166
Other revenues	442,400	502,700	589,932	87,232
<b>Total Revenues</b>	<b>18,644,975</b>	<b>17,749,735</b>	<b>19,192,237</b>	<b>1,442,502</b>
<b>EXPENDITURES</b>				
Current:				
General government	2,791,458	2,833,539	2,317,231	516,308
Public safety:				
Police	5,175,860	4,497,045	4,192,928	304,117
Fire	2,452,553	2,518,129	2,291,201	226,928
Public works	2,615,914	2,406,976	2,641,550	(234,574)
Recreation	482,340	330,958	393,761	(62,803)
Library	874,641	714,145	676,271	37,874
Museum	184,685	182,856	188,938	(6,082)
Community development	1,348,269	1,204,372	1,324,672	(120,300)
Capital outlay	1,016,852	965,000	795,432	169,568
Debt service				
Principal retirement	1,185,874	1,185,874	1,185,874	-
Interest and fiscal charges	648,730	712,915	752,465	(39,550)
<b>Total Expenditures</b>	<b>18,777,176</b>	<b>17,551,809</b>	<b>16,760,323</b>	<b>791,486</b>
Excess (Deficiency) of Revenues over Expenditures	(132,201)	197,926	2,431,914	2,233,988
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	474,000	450,277	450,277	-
Transfers out	(808,221)	(800,157)	(753,277)	46,880
<b>Total Other Financing Sources (Uses)</b>	<b>(334,221)</b>	<b>(349,880)</b>	<b>(303,000)</b>	<b>46,880</b>
Net Change in Fund Balances	(466,422)	(151,954)	2,128,914	2,280,868
Fund Balances Beginning	6,094,823	6,094,823	6,094,823	-
Fund Balances Ending	\$ 5,628,401	\$ 5,942,869	\$ 8,223,737	\$ 2,280,868

**City of Pacific Grove**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**Housing Fund**  
**June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ -	\$ -	\$ 6,162	\$ 6,162
Charges for services	-	-	212	212
Interest, rents and concessions	-	-	3,197	3,197
Other revenues	20,500	155,000	45,943	(109,057)
<b>Total Revenues</b>	<b>20,500</b>	<b>155,000</b>	<b>55,514</b>	<b>(99,486)</b>
<b>EXPENDITURES</b>				
Current:				
Community development	175,000	185,134	74,667	110,467
<b>Total Expenditures</b>	<b>175,000</b>	<b>185,134</b>	<b>74,667</b>	<b>110,467</b>
Excess (Deficiency) of Revenues over Expenditures	(154,500)	(30,134)	(19,153)	10,981
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(154,500)	(30,134)	(19,153)	10,981
Fund Balances Beginning	326,202	326,202	326,202	-
Fund Balances Ending	\$ 171,702	\$ 296,068	\$ 307,049	\$ 10,981

**City of Pacific Grove**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (GAAP Basis)**  
**CDBG Grant Fund**  
**June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ -	\$ -	\$ 7,093	\$ 7,093
Interest, rents and concessions	200	-	16,950	16,950
Other revenues	-	-	96,500	96,500
<b>Total Revenues</b>	<b>200</b>	<b>-</b>	<b>120,543</b>	<b>120,543</b>
<b>EXPENDITURES</b>				
Current:				
Community development	77,913	28,500	102,861	(74,361)
<b>Total Expenditures</b>	<b>77,913</b>	<b>28,500</b>	<b>102,861</b>	<b>(74,361)</b>
Excess (Deficiency) of Revenues over Expenditures	(77,713)	(28,500)	17,682	46,182
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(77,713)	(28,500)	17,682	46,182
Fund Balances Beginning	21,747	21,747	21,747	-
Fund Balances Ending	\$ (55,966)	\$ (6,753)	\$ 39,429	\$ 46,182

**Schedule of Pension Contributions (GASB 68)  
June 30, 2015**

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	<u>2015</u>
<b>Miscellaneous Plan</b>	
Contractually Required Contributions (Actuarially Determined)	\$ 381,362
Contributions in Relation to Actuarially Determined Contributions	<u>381,362</u>
<b>Contribution Deficiency (Excess)</b>	<u><u>\$ -</u></u>
<b>Covered Employee Payroll</b>	<b>\$ 3,827,852</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>9.96%</b>
	<u>2015</u>
<b>Safety Plan</b>	
Contractually Required Contributions (Actuarially Determined)	\$ 440,323
Contributions in Relation to Actuarially Determined Contributions	<u>440,323</u>
<b>Contribution Deficiency (Excess)</b>	<u><u>\$ -</u></u>
<b>Covered Employee Payroll</b>	<b>\$ 1,813,830</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>24.28%</b>

**Notes to Schedule:**

Valuation Date: June 30, 2013  
 Assumptions Used: Entry Age Method used fro Actuarial Cost Method  
 Level Percentage of Payroll (Closed) Used Amortization Method  
 3.8 Years Remaining Amortization Period  
 Inflation Assumed at 2.75%  
 Investment Rate of Returns set at 7.5%  
 CalPERS mortality table using 20 years of membership data for all funds

\*\* Fiscal year 2015 was the first year of implementation, therefore only one year is shown

**Schedule of Proportionate Share of Net Pension Liability (GASB 68)  
June 30, 2015**

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	<u>2015</u>
<b>Miscellaneous Plan</b>	
District's Proportion of Net Pension Liability	0.00151%
District's Proportionate Share of Net Pension Liability	\$ 9,385,211
District's Covered Employee Payroll	\$ 3,827,852
<b>District's Proportionate Share of NPL as a % of Covered Employee Payroll</b>	<b>245.18%</b>
<b>Plan Fiduciary's Net Position as a % of the TPL</b>	<b>82.89%</b>

	<u>2015</u>
<b>Safety Plan</b>	
District's Proportion of Net Pension Liability	0.22078%
District's Proportionate Share of Net Pension Liability	\$ 13,738,132
District's Covered Employee Payroll	\$ 1,813,830
<b>District's Proportionate Share of NPL as a % of Covered Employee Payroll</b>	<b>757.41%</b>
<b>Plan Fiduciary's Net Position as a % of the TPL</b>	<b>81.32%</b>

\*\* Fiscal year 2015 was the first year of implementation, therefore only one year is shown

**City of Pacific Grove**  
**Retiree Healthcare Plan**  
**Schedule of Funding Progress**  
**June 30, 2015**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c))
7/1/2009	\$ -	\$ 2,753,014	\$ 2,753,014	0.00%	\$ 8,627,274	31.91%
7/1/2012	-	2,676,969	2,676,969	0.00%	7,521,909	35.59%



## **SUPPLEMENTARY INFORMATION**

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## COMBINING SCHEDULES - GENERAL FUND

Fund Title	Fund Description
GENERAL FUND	The General Fund is the general operating fund of the City. It is used for all financial resources except those required legally, or by sound financial management to be accounted for in another fund. Generally, the General Fund is used to account for those traditional governmental services of the City, such as police and fire protection, planning and general administrative services. The City utilized multiple sub-funds within the General Fund to account for various types of transactions.

**City of Pacific Grove**  
**Combining Balance Sheet**  
**General Fund**  
**June 30, 2015**

	General Operating Fund	Consolidated Investment Fund	Hyperbaric Chamber Fund	Civic Center Fund	People's Desalinization Project Fund	Drug Awareness Fund	Asset Seizure Fund
<b>ASSETS</b>							
Cash and investments	\$ 7,096,350	\$ 71,011	\$ 38,864	\$ 140,387	\$ (37,891)	\$ 16,499	\$ 1,679
Receivables:							
Taxes	1,232,942	-	-	-	-	-	-
Accounts	20,042	-	-	-	-	-	-
Due from other governments	6,218	-	-	-	-	-	-
Interest	-	5,767	-	-	-	-	-
Due from other funds	150,000	-	-	-	-	-	-
Other assets	19,924	-	5,954	-	-	-	-
<b>Total assets</b>	<b>\$ 8,525,476</b>	<b>\$ 76,778</b>	<b>\$ 44,818</b>	<b>\$ 140,387</b>	<b>\$ (37,891)</b>	<b>\$ 16,499</b>	<b>\$ 1,679</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 571,582	\$ -	\$ 6,541	\$ -	\$ -	\$ 376	\$ -
Payroll related liabilities	196,016	-	-	-	-	-	-
Deposits and other liabilities	9,719	-	-	-	-	-	-
Unearned revenues	152,003	-	10,000	-	-	-	-
<b>Total liabilities</b>	<b>929,320</b>	<b>-</b>	<b>16,541</b>	<b>-</b>	<b>-</b>	<b>376</b>	<b>-</b>
<b>Fund Balances:</b>							
Nonspendable							
Prepaid assets	19,924	-	5,954	-	-	-	-
Restricted:							
Social service programs	-	-	-	140,387	-	16,123	-
Unassigned	7,576,232	76,778	22,323	-	(37,891)	-	1,679
<b>Total fund balances</b>	<b>7,596,156</b>	<b>76,778</b>	<b>28,277</b>	<b>140,387</b>	<b>(37,891)</b>	<b>16,123</b>	<b>1,679</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,525,476</b>	<b>\$ 76,778</b>	<b>\$ 44,818</b>	<b>\$ 140,387</b>	<b>\$ (37,891)</b>	<b>\$ 16,499</b>	<b>\$ 1,679</b>

Cont'd

	Lovers Point Fund	Recreation Donation Fund	Operating Donation Fund	Vehicle Replacement Fund	Storm Water Fund	Koo Donation Fund	Total General Fund
<b>ASSETS</b>							
Cash and investments	\$ 57,360	\$ 27,102	\$ 99,186	\$ -	\$ (97,146)	\$ 348,733	\$ 7,762,134
Receivables:							
Taxes	-	-	-	-	-	-	1,232,942
Accounts	-	-	-	-	-	-	20,042
Due from other governments	-	-	-	-	-	-	6,218
Interest	-	-	-	-	-	-	5,767
Due from other funds	-	-	-	-	-	-	150,000
Other assets	-	-	-	-	-	-	25,878
<b>Total assets</b>	<b>\$ 57,360</b>	<b>\$ 27,102</b>	<b>\$ 99,186</b>	<b>\$ -</b>	<b>\$ (97,146)</b>	<b>\$ 348,733</b>	<b>\$ 9,202,981</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 50	\$ -	\$ -	\$ -	\$ 30,526	\$ -	\$ 609,075
Payroll related liabilities	-	-	-	-	1,676	-	197,692
Deposits and other liabilities	-	-	-	-	755	-	10,474
Unearned revenues	-	-	-	-	-	-	162,003
<b>Total liabilities</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,957</b>	<b>-</b>	<b>979,244</b>
<b>Fund Balances:</b>							
Nonspendable							
Prepaid assets	-	-	-	-	-	-	25,878
Restricted:							
Social service programs	57,310	27,102	-	-	-	-	240,922
Unassigned	-	-	99,186	-	(130,103)	348,733	7,956,937
<b>Total fund balances</b>	<b>57,310</b>	<b>27,102</b>	<b>99,186</b>	<b>-</b>	<b>(130,103)</b>	<b>348,733</b>	<b>8,223,737</b>
<b>Total liabilities and fund balances</b>	<b>\$ 57,360</b>	<b>\$ 27,102</b>	<b>\$ 99,186</b>	<b>\$ -</b>	<b>\$ (97,146)</b>	<b>\$ 348,733</b>	<b>\$ 9,202,981</b>

Concluded

**City of Pacific Grove**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**General Fund**  
**June 30, 2015**

	General Operating Fund	Consolidated Investment Fund	Hyperbaric Chamber Fund	Civic Center Fund	People's Desalinization Project Fund	Drug Awareness Fund	Asset Seizure Fund
<b>REVENUES</b>							
Taxes:							
Property taxes	\$ 5,750,806	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	3,534,495	-	-	-	-	-	-
Franchise and other taxes	919,377	-	-	-	-	-	-
Transient occupancy taxes	4,468,965	-	-	-	-	-	-
Utility users taxes	1,428,360	-	-	-	-	-	-
Business license tax	327,463	-	-	-	-	-	-
Other taxes	102,627	-	-	-	-	-	-
Intergovernmental revenues	163,543	-	-	-	-	-	-
License and permits	440,403	-	-	-	-	-	-
Fines and forfeitures	49,714	-	-	-	-	-	-
Charges for services	983,061	-	-	-	-	-	-
Interest, rents and concessions	228,788	181,868	136	20,081	-	74	7
Other revenues	579,723	-	3,614	-	-	2,000	-
<b>Total Revenues</b>	<b>18,977,325</b>	<b>181,868</b>	<b>3,750</b>	<b>20,081</b>	<b>-</b>	<b>2,074</b>	<b>7</b>
<b>EXPENDITURES</b>							
Current:							
General government	2,307,058	-	-	527	3,896	-	-
Public safety:							
Police	4,190,659	-	-	-	-	2,269	-
Fire	2,282,196	-	9,005	-	-	-	-
Public works	2,082,368	-	-	-	-	-	-
Recreation	389,926	-	-	-	-	-	-
Library	676,271	-	-	-	-	-	-
Museum	188,938	-	-	-	-	-	-
Community development	1,324,672	-	-	-	-	-	-
Capital outlay	660,627	78,576	-	-	-	-	-
Debt service							
Principal	1,139,287	-	-	-	-	-	-
Interest and fiscal charges	748,775	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>15,990,777</b>	<b>78,576</b>	<b>9,005</b>	<b>527</b>	<b>3,896</b>	<b>2,269</b>	<b>-</b>
Excess (Deficiency) of Revenues over Expenditures	2,986,548	103,292	(5,255)	19,554	(3,896)	(195)	7
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	(753,277)	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(753,277)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	2,233,271	103,292	(5,255)	19,554	(3,896)	(195)	7
Fund Balances Beginning	5,362,885	(26,514)	33,532	120,833	(33,995)	16,318	1,672
Fund Balances Ending	\$ 7,596,156	\$ 76,778	\$ 28,277	\$ 140,387	\$ (37,891)	\$ 16,123	\$ 1,679

Cont'd

**City of Pacific Grove**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**General Fund**  
**June 30, 2015**

	Lovers Point Fund	Recreation Donation Fund	Operating Donation Fund	Vehicle Replacement Fund	Storm Water Fund	Koo Donation Fund	Total General Fund
<b>REVENUES</b>							
Taxes:							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,750,806
Sales and use taxes	-	-	-	-	-	-	3,534,495
Franchise and other taxes	-	-	-	-	-	-	919,377
Transient occupancy taxes	-	-	-	-	-	-	4,468,965
Utility users taxes	-	-	-	-	-	-	1,428,360
Business license tax	-	-	-	-	-	-	327,463
Other taxes	-	-	-	-	-	-	102,627
Intergovernmental revenues	-	-	-	-	-	-	163,543
License and permits	-	-	-	-	-	-	440,403
Fines and forfeitures	-	-	-	-	-	-	49,714
Charges for services	-	-	-	-	-	-	983,061
Interest, rents and concessions	249	117	466	-	189	1,516	433,491
Other revenues	-	4,595	-	-	-	-	589,932
<b>Total Revenues</b>	<b>249</b>	<b>4,712</b>	<b>466</b>	<b>-</b>	<b>189</b>	<b>1,516</b>	<b>19,192,237</b>
<b>EXPENDITURES</b>							
Current:							
General government	-	-	5,750	-	-	-	2,317,231
Public safety:							
Police	-	-	-	-	-	-	4,192,928
Fire	-	-	-	-	-	-	2,291,201
Public works	-	-	-	-	559,182	-	2,641,550
Recreation	138	3,697	-	-	-	-	393,761
Library	-	-	-	-	-	-	676,271
Museum	-	-	-	-	-	-	188,938
Community development	-	-	-	-	-	-	1,324,672
Capital outlay	-	-	-	-	56,229	-	795,432
Debt service							
Principal	-	-	-	46,587	-	-	1,185,874
Interest and fiscal charges	-	-	-	3,690	-	-	752,465
<b>Total Expenditures</b>	<b>138</b>	<b>3,697</b>	<b>5,750</b>	<b>50,277</b>	<b>615,411</b>	<b>-</b>	<b>16,760,323</b>
Excess (Deficiency) of Revenues over Expenditures	111	1,015	(5,284)	(50,277)	(615,222)	1,516	2,431,914
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	50,277	400,000	-	450,277
Transfers out	-	-	-	-	-	-	(753,277)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,277</b>	<b>400,000</b>	<b>-</b>	<b>(303,000)</b>
Net Change in Fund Balances	111	1,015	(5,284)	-	(215,222)	1,516	2,128,914
Fund Balances Beginning	57,199	26,087	104,470	-	85,119	347,217	6,094,823
Fund Balances Ending	\$ 57,310	\$ 27,102	\$ 99,186	\$ -	\$ (130,103)	\$ 348,733	\$ 8,223,737

Concluded

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## COMBINING NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

(See Page 80)

### DEBT SERVICE FUNDS

Fund Title	Fund Description
BUTTERFLY HABITAT BOND FUND	This fund accounts for payment of City bonds issued for the purchase of the properly known as the Butterfly Habitat.

### CAPITAL PROJECTS FUNDS

Fund Title	Fund Description
BUILDING AND FACILITIES IMPROVEMENT FUND	This fund accounts for funds used for the acquisition, construction and improvement of City facilities, with the exception of those assets financed by proprietary funds.

### PERMANENT FUNDS

(See Page 88)

**City of Pacific Grove**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	Debt Service		Capital Projects		Total Nonmajor Governmental Funds
	Total Special Revenue Funds	Butterfly Habitat Bond Fund	Building Facilities & Improvement Fund	Total Permanent Funds	
<b>ASSETS</b>					
Cash and investments	\$ 2,500,756	63,675	563,813	\$ 2,643,651	\$ 5,771,895
Receivables:					
Taxes	48,951	-	-	-	48,951
Accounts	8,333	-	-	-	8,333
Loans receivable	470,007	-	-	-	470,007
Other assets	4,234	-	-	-	4,234
<b>Total assets</b>	<b>\$ 3,032,281</b>	<b>\$ 63,675</b>	<b>\$ 563,813</b>	<b>\$ 2,643,651</b>	<b>\$ 6,303,420</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 465,840	\$ 96	\$ -	\$ -	\$ 465,936
Payroll related liabilities	4,767	-	-	-	4,767
Deposits and other liabilities	2,706	-	-	-	2,706
Due to other funds	150,000	-	-	-	150,000
Unearned revenues	481,513	-	-	-	481,513
<b>Total liabilities</b>	<b>1,104,826</b>	<b>96</b>	<b>-</b>	<b>-</b>	<b>1,104,922</b>
<b>Fund Balances:</b>					
Nonspendable					
Prepaid assets	4,215	-	-	-	4,215
Permanent Funds	-	-	-	2,643,651	2,643,651
Restricted:					
Social service programs	161,407	-	-	-	161,407
Public safety	377,053	-	-	-	377,053
Community development	1,238,186	-	563,813	-	1,801,999
Street improvements	179,252	-	-	-	179,252
Debt service	-	63,579	-	-	63,579
Unassigned	(32,658)	-	-	-	(32,658)
<b>Total fund balances</b>	<b>1,927,455</b>	<b>63,579</b>	<b>563,813</b>	<b>2,643,651</b>	<b>5,198,498</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,032,281</b>	<b>\$ 63,675</b>	<b>\$ 563,813</b>	<b>\$ 2,643,651</b>	<b>\$ 6,303,420</b>

**City of Pacific Grove**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	<u>Debt Service</u>		<u>Capital Projects</u>		
	Total Special Revenue Funds	Butterfly Habitat Bond Fund	Building Facilities & Improvement Fund	Total Permanent Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ -	\$ 85,368	\$ -	\$ -	\$ 85,368
Franchise and other taxes	55,713	-	-	-	55,713
Transient occupancy taxes	529,920	-	-	-	529,920
Business license tax	31,945	-	-	-	31,945
Intergovernmental revenues	609,874	-	-	-	609,874
Charges for services	1,386	-	-	78,170	79,556
Interest, rents and concessions	25,769	123	2,451	7,056	35,399
Other revenues	169,077	-	-	-	169,077
<b>Total Revenues</b>	<b>1,423,684</b>	<b>85,491</b>	<b>2,451</b>	<b>85,226</b>	<b>1,596,852</b>
<b>EXPENDITURES</b>					
Current:					
General government	-	96	-	-	96
Public safety:					
Police	767,940	-	-	-	767,940
Fire	5,507	-	-	-	5,507
Public works	309,975	-	-	-	309,975
Recreation	20,071	-	-	-	20,071
Library	1,629	-	-	-	1,629
Museum	1,333	-	-	-	1,333
Community development	816,929	-	-	75	817,004
Capital outlay	157,474	-	-	-	157,474
Debt service					
Principal	-	78,758	-	-	78,758
Interest and fiscal charges	-	13,208	-	-	13,208
<b>Total Expenditures</b>	<b>2,080,858</b>	<b>92,062</b>	<b>-</b>	<b>75</b>	<b>2,172,995</b>
Excess (Deficiency) of Revenues over Expenditures	(657,174)	(6,571)	2,451	85,151	(576,143)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	303,000	-	-	-	303,000
Transfers out	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>303,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>303,000</b>
Net Change in Fund Balances	(354,174)	(6,571)	2,451	85,151	(273,143)
Fund Balances Beginning	2,281,629	70,150	561,362	2,558,500	5,471,641
Fund Balances Ending	<u>\$ 1,927,455</u>	<u>\$ 63,579</u>	<u>\$ 563,813</u>	<u>\$ 2,643,651</u>	<u>\$ 5,198,498</u>

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## NONMAJOR SPECIAL REVENUE FUNDS

Fund Title	Fund Description
CARILLON FUND	This fund is for donations designated for the maintenance of the tower clock and chimes system at City Hall.
ENVIRONMENTAL ENHANCEMENT	This fund accounts for revenues associated with Coastal Area Planning grants, coastal area land use, and Environmental Impact Report deposit funds.
STATE FRANCHISE PEG	This fund is for the deposit of funds received from the City's cable franchisee to fund Public, Educational and Governmental programming on local Public Access television and equipment expenditures to aid in broadcasting per the terms of the Digital Infrastructure and Video Competition Act of 2006.
LIBRARY BLDG & EQUIP FUND	This fund is for donations designated for improvements to the City Library.
MUSEUM IMPROVEMENT FUND	This fund is for donations designated for improvements to the Museum facility.
DOWNTOWN BUSINESS DISTRIC	This fund accounts for the collection of self-assessed fees from businesses within the Business Improvement District and the payment of those fees to the Pacific Grove Chamber of Commerce. Businesses within the Downtown Business Improvement District remit those fees to the City upon the annual renewal of their business licenses.
HOSPITALITY IMPRVMT DIST.	This fund accounts for the collection of self-assessed fees by the hotels within the City and the payment of those fees to the Monterey County Convention and Visitor's Bureau. All the hotels in the City have agreed to this self -assessment and remit those fees with their Transient Occupancy Tax payments.
LIBRARY BOOK FUND	This fund accounts for donations designated for the purchase of books for the City Library.
FIRE EMERG EQUIP FUND	This fund accounts for grants, fees and donations in support of Fire Department safety programs.
TRAFFIC CONG RELIEF FUND	This fund accounts for the expenditures of traffic ongestion monies received.
GAS TAX FUND	This fund accounts for the expenditures of State Gas Tax monies received.
CHAUTAUQUA HALL FUND	This fund accounts for revenues designated for the maintenance and improvement of the historic Chautauqua Hall building.
LIGHTHOUSE MAINT.& IMPV.	This fund accounts for any expenses and/or any donations, proceeds, or operating transfers received related to the maintenance and improvement of the Point Pinos Lighthouse.
SENIOR HOUSING FUND	This fund accounts for senior housing activities.
CALHOME REUSE ACCOUNT	This fund accounts for the deposit of revenue received from the repayment of CalHOME Housing rehabilitation loans.
2013 CDBG GRANT FUND	This fund accounts for grants and revolving loan funds used in the City's Housing Rehabilitation Loan Program managed by the Community Development Department.
POETRY PROMOTION FUND	This fund accounts for the income from a bequest to the City designated for the promotion of poetry in the community.
YOUNT INCOME FUND	This fund accounts for income from the expendable portion of the Yount Trust.
PUB SAFETY AUG FUND	This fund accounts for revenue resulting from the passage of Proposition 172, designated for Public Safety related programs.
SLESF FUND	This fund accounts for grants designated for the improvement of the law enforcement program.
VEHICLE ABANDONMENT	This fund accounts for the expenditures related to vehicle abandonment.
STRONG FUND DISBURSEMENTS	This fund accounts for the expenditures of interest earned from the Stong endowment.
MCINDOO DONATION	This fund accounts for the receipt of a donation from the Jeanette J. McIndoo Trust and for the expense for beautification and enhancement of public facilities and

**City of Pacific Grove**

**Combining Balance Sheet**

**Special Revenue Nonmajor Governmental Funds**

**June 30, 2015**

	Carillion Fund	Environmental Enhancement Fund	State Franchise PEG Fund	Library Building & Equipment Fund	Museum Improvement Fund	Downtown Business District Fund
<b>ASSETS</b>						
Cash and investments	\$ 9,350	\$ 164,945	\$ 368,835	\$ 22,625	\$ 463,062	\$ 15,193
Receivables:						
Taxes	-	-	3,147	-	-	-
Accounts	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 9,350</b>	<b>\$ 164,945</b>	<b>\$ 371,982</b>	<b>\$ 22,625</b>	<b>\$ 463,062</b>	<b>\$ 15,193</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	-	675	14,371	500	-	-
Payroll related liabilities	-	-	-	-	-	-
Deposits and other liabilities	-	2,706	-	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	11,506
<b>Total liabilities</b>	<b>-</b>	<b>3,381</b>	<b>14,371</b>	<b>500</b>	<b>-</b>	<b>11,506</b>
<b>Fund Balances:</b>						
Nonspendable:						
Prepaid assets	-	-	-	-	-	-
Restricted:						
Social service programs	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community development	9,350	-	357,611	22,125	463,062	3,687
Street improvements	-	-	-	-	-	-
Unassigned	-	161,564	-	-	-	-
<b>Total fund balances</b>	<b>9,350</b>	<b>161,564</b>	<b>357,611</b>	<b>22,125</b>	<b>463,062</b>	<b>3,687</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,350</b>	<b>\$ 164,945</b>	<b>\$ 371,982</b>	<b>\$ 22,625</b>	<b>\$ 463,062</b>	<b>\$ 15,193</b>

Cont'd

**City of Pacific Grove**  
**Combining Balance Sheet**  
**Special Revenue Nonmajor Governmental Funds**  
**June 30, 2015**

	Hospitality Improvement District Fund	Library Book Fund	Fire Emergency Equipment Fund	Traffic Congestion Relief Fund	Gas Tax Fund	Chautauqua Hall Fund
<b>ASSETS</b>						
Cash and investments	\$ 139,556	\$ (2,125)	\$ 145,964	\$ (8,223)	\$ 210,782	\$ 22,135
Receivables:						
Taxes	45,804	-	-	-	-	-
Accounts	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-
Other assets	-	-	-	-	4,215	-
<b>Total assets</b>	<b>\$ 185,360</b>	<b>\$ (2,125)</b>	<b>\$ 145,964</b>	<b>\$ (8,223)</b>	<b>\$ 214,997</b>	<b>\$ 22,135</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	127,584	3,261	2,364	-	28,258	-
Payroll related liabilities	-	-	-	-	3,272	-
Deposits and other liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-
<b>Total liabilities</b>	<b>127,584</b>	<b>3,261</b>	<b>2,364</b>	<b>-</b>	<b>31,530</b>	<b>-</b>
<b>Fund Balances:</b>						
Nonspendable:						
Prepaid assets	-	-	-	-	4,215	-
Restricted:						
Social service programs	-	-	-	-	-	-
Public safety	-	-	143,600	-	-	-
Community development	57,776	-	-	-	-	22,135
Street improvements	-	-	-	-	179,252	-
Unassigned	-	(5,386)	-	(8,223)	-	-
<b>Total fund balances</b>	<b>57,776</b>	<b>(5,386)</b>	<b>143,600</b>	<b>(8,223)</b>	<b>183,467</b>	<b>22,135</b>
<b>Total liabilities and fund balances</b>	<b>\$ 185,360</b>	<b>\$ (2,125)</b>	<b>\$ 145,964</b>	<b>\$ (8,223)</b>	<b>\$ 214,997</b>	<b>\$ 22,135</b>

Cont'd

**City of Pacific Grove**

**Combining Balance Sheet**

**Special Revenue Nonmajor Governmental Funds**

**June 30, 2015**

	Lighthouse Maintenance & Improvement Fund	Senior Housing Fund	CalHome Reuse Fund	2013 CDBG Grant Fund	Poetry Promotion Fund	Yount Income Fund
<b>ASSETS</b>						
Cash and investments	\$ 85,211	\$ 9,721	\$ 88,971	\$ 34,894	\$ 62,715	\$ 82,157
Receivables:						
Taxes	-	-	-	-	-	-
Accounts	-	-	-	-	-	-
Loans receivable	-	-	354,901	115,106	-	-
Other assets	19	-	-	-	-	-
<b>Total assets</b>	<b>\$ 85,230</b>	<b>\$ 9,721</b>	<b>\$ 443,872</b>	<b>\$ 150,000</b>	<b>\$ 62,715</b>	<b>\$ 82,157</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	7,828	-	-	-	-	-
Payroll related liabilities	-	-	-	-	-	59
Deposits and other liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	150,000	-	-
Unearned revenues	-	-	354,901	115,106	-	-
<b>Total liabilities</b>	<b>7,828</b>	<b>-</b>	<b>354,901</b>	<b>265,106</b>	<b>-</b>	<b>59</b>
<b>Fund Balances:</b>						
Nonspendable:						
Prepaid assets	-	-	-	-	-	-
Restricted:						
Social service programs	-	9,721	88,971	-	62,715	-
Public safety	-	-	-	-	-	-
Community development	77,402	-	-	-	-	82,098
Street improvements	-	-	-	-	-	-
Unassigned	-	-	-	(115,106)	-	-
<b>Total fund balances</b>	<b>77,402</b>	<b>9,721</b>	<b>88,971</b>	<b>(115,106)</b>	<b>62,715</b>	<b>82,098</b>
<b>Total liabilities and fund balances</b>	<b>\$ 85,230</b>	<b>\$ 9,721</b>	<b>\$ 443,872</b>	<b>\$ 150,000</b>	<b>\$ 62,715</b>	<b>\$ 82,157</b>

Cont'd

**City of Pacific Grove**

**Combining Balance Sheet**

**Special Revenue Nonmajor Governmental Funds**

**June 30, 2015**

	Public Safety Augmentation Fund	Supplement Law Enforcement Fund	Vehicle Abandonment Fund	Strong Disbursements Fund	McIndoo Donation Fund	Total Special Revenue Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 514,452	\$ (72,404)	\$ -	\$ 42,989	\$ 99,951	\$ 2,500,756
Receivables:						
Taxes	-	-	-	-	-	48,951
Accounts	-	8,333	-	-	-	8,333
Loans receivable	-	-	-	-	-	470,007
Other assets	-	-	-	-	-	4,234
<b>Total assets</b>	<u>\$ 514,452</u>	<u>\$ (64,071)</u>	<u>\$ -</u>	<u>\$ 42,989</u>	<u>\$ 99,951</u>	<u>\$ 3,032,281</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	280,999	-	-	-	-	465,840
Payroll related liabilities	-	1,073	363	-	-	4,767
Deposits and other liabilities	-	-	-	-	-	2,706
Due to other funds	-	-	-	-	-	150,000
Unearned revenues	-	-	-	-	-	481,513
<b>Total liabilities</b>	<u>280,999</u>	<u>1,073</u>	<u>363</u>	<u>-</u>	<u>-</u>	<u>1,104,826</u>
<b>Fund Balances:</b>						
Nonspendable:						
Prepaid assets	-	-	-	-	-	4,215
Restricted:						
Social service programs	-	-	-	-	-	161,407
Public safety	233,453	-	-	-	-	377,053
Community development	-	-	-	42,989	99,951	1,238,186
Street improvements	-	-	-	-	-	179,252
Unassigned	-	(65,144)	(363)	-	-	(32,658)
<b>Total fund balances</b>	<u>233,453</u>	<u>(65,144)</u>	<u>(363)</u>	<u>42,989</u>	<u>99,951</u>	<u>1,927,455</u>
<b>Total liabilities and fund balances</b>	<u>\$ 514,452</u>	<u>\$ (64,071)</u>	<u>\$ -</u>	<u>\$ 42,989</u>	<u>\$ 99,951</u>	<u>\$ 3,032,281</u>

Concluded

**City of Pacific Grove**

**Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances**

**Special Revenue Nonmajor Governmental Funds**

**June 30, 2015**

	Carillion Fund	Environmental Enhancement Fund	State Franchise PEG Fund	Library Building & Equipment Fund	Museum Improvement Fund	Downtown Business District Fund	Hospitality Improvement District Fund	Library Book Fund
<b>REVENUES</b>								
Taxes:								
Franchise and other taxes	\$ -	\$ -	\$ 55,713	\$ -	\$ -	\$ -	\$ -	\$ -
Transient occupancy taxes	-	-	-	-	-	-	529,920	-
Business license tax	-	-	-	-	-	31,945	-	-
Intergovernmental revenues	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Interest, rents and concessions	41	892	1,528	97	2,006	35	388	69
Other revenues	-	861	-	13,000	3,192	-	-	50,435
<b>Total Revenues</b>	<b>41</b>	<b>1,753</b>	<b>57,241</b>	<b>13,097</b>	<b>5,198</b>	<b>31,980</b>	<b>530,308</b>	<b>50,504</b>
<b>EXPENDITURES</b>								
Current:								
Police	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-
Museum	-	-	-	-	1,333	-	-	-
Community development	-	107,821	48,003	-	-	30,007	436,175	79,817
Capital outlay	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>107,821</b>	<b>48,003</b>	<b>-</b>	<b>1,333</b>	<b>30,007</b>	<b>436,175</b>	<b>79,817</b>
Excess (Deficiency) of Revenues over Expenditures	41	(106,068)	9,238	13,097	3,865	1,973	94,133	(29,313)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	41	(106,068)	9,238	13,097	3,865	1,973	94,133	(29,313)
Fund Balances Beginning	9,309	267,632	348,373	9,028	459,197	1,714	(36,357)	23,927
Fund Balances Ending	\$ 9,350	\$ 161,564	\$ 357,611	\$ 22,125	\$ 463,062	\$ 3,687	\$ 57,776	\$ (5,386)

Cont'd

**City of Pacific Grove**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Special Revenue Nonmajor Governmental Funds**  
**June 30, 2015**

	Fire Emergency Equipment Fund	Traffic Congestion Relief Fund	Gas Tax Fund	Chautauqua Hall Fund	Lighthouse Maintenance & Improvement Fund	Senior Housing Fund	CalHome Reuse Fund	2013 CDBG Grant Fund
<b>REVENUES</b>								
Taxes:								
Franchise and other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transient occupancy taxes	-	-	-	-	-	-	-	-
Business license tax	-	-	-	-	-	-	-	-
Intergovernmental revenues	3,580	-	382,509	-	-	-	-	-
Charges for services	-	-	-	-	1,386	-	-	-
Interest, rents and concessions	615	-	643	91	342	42	387	-
Other revenues	19,156	-	-	2,415	36,590	-	-	-
<b>Total Revenues</b>	<b>23,351</b>	<b>-</b>	<b>383,152</b>	<b>2,506</b>	<b>38,318</b>	<b>42</b>	<b>387</b>	<b>-</b>
<b>EXPENDITURES</b>								
Current:								
Police	-	-	-	-	-	-	-	-
Fire	5,507	-	-	-	-	-	-	-
Public works	-	-	299,773	-	-	-	-	-
Recreation	-	-	-	-	19,708	-	-	-
Library	-	-	-	-	-	-	-	-
Museum	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	115,106
Capital outlay	-	8,223	139,644	-	7,750	-	-	-
<b>Total Expenditures</b>	<b>5,507</b>	<b>8,223</b>	<b>439,417</b>	<b>-</b>	<b>27,458</b>	<b>-</b>	<b>-</b>	<b>115,106</b>
Excess (Deficiency) of Revenues over Expenditures	17,844	(8,223)	(56,265)	2,506	10,860	42	387	(115,106)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	17,844	(8,223)	(56,265)	2,506	10,860	42	387	(115,106)
Fund Balances Beginning	125,756	-	239,732	19,629	66,542	9,679	88,584	-
Fund Balances Ending	\$ 143,600	\$ (8,223)	\$ 183,467	\$ 22,135	\$ 77,402	\$ 9,721	\$ 88,971	\$ (115,106)

Cont'd

**City of Pacific Grove**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Special Revenue Nonmajor Governmental Funds**  
**June 30, 2015**

	Poetry Promotion Fund	Yount Income Fund	Public Safety Augmentation Fund	Supplement Law Enforcement Fund	Vehicle Abandonment Fund	Strong Disbursements Fund	McIndoo Donation Fund	Total Special Revenue Nonmajor Governmental Funds
<b>REVENUES</b>								
Taxes:								
Franchise and other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,713
Transient occupancy taxes	-	-	-	-	-	-	-	529,920
Business license tax	-	-	-	-	-	-	-	31,945
Intergovernmental revenues	-	-	104,150	119,635	-	-	-	609,874
Charges for services	-	-	-	-	-	-	-	1,386
Interest, rents and concessions	8,599	8,623	1,371	-	-	-	-	25,769
Other revenues	-	-	-	-	-	42,989	439	169,077
<b>Total Revenues</b>	<b>8,599</b>	<b>8,623</b>	<b>105,521</b>	<b>119,635</b>	<b>-</b>	<b>42,989</b>	<b>439</b>	<b>1,423,684</b>
<b>EXPENDITURES</b>								
Current:								
Police	-	-	602,987	164,953	-	-	-	767,940
Fire	-	-	-	-	-	-	-	5,507
Public works	-	10,202	-	-	-	-	-	309,975
Recreation	-	-	-	-	363	-	-	20,071
Library	1,629	-	-	-	-	-	-	1,629
Museum	-	-	-	-	-	-	-	1,333
Community development	-	-	-	-	-	-	-	816,929
Capital outlay	-	-	-	-	-	-	1,857	157,474
<b>Total Expenditures</b>	<b>1,629</b>	<b>10,202</b>	<b>602,987</b>	<b>164,953</b>	<b>363</b>	<b>-</b>	<b>1,857</b>	<b>2,080,858</b>
Excess (Deficiency) of Revenues over Expenditures	6,970	(1,579)	(497,466)	(45,318)	(363)	42,989	(1,418)	(657,174)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	303,000	-	-	-	-	303,000
Transfers out	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>303,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>303,000</b>
Net Change in Fund Balances	6,970	(1,579)	(194,466)	(45,318)	(363)	42,989	(1,418)	(354,174)
Fund Balances Beginning	55,745	83,677	427,919	(19,826)	-	-	101,369	2,281,629
Fund Balances Ending	\$ 62,715	\$ 82,098	\$ 233,453	\$ (65,144)	\$ (363)	\$ 42,989	\$ 99,951	\$ 1,927,455

Concluded

### NONMAJOR PERMANENT FUNDS

Fund Title	Fund Description
LIBRARY ENDOWMENT TRUST FUND	This fund was established to finance the purchase of additional books and materials for the library.
CEMETERY ENDOWMENT FUND	This fund accounts for "Endowment Care" revenues received in trust for the care of decedents' graves.
YOUNT TRUST FUND	This fund was established in 1992, in the amount of approximately \$900,000 including the Yount's residence. The income from this Trust may be expended for the beautification of the City and for minor improvements on the educational and/or recreational facilities maintained by the City.
STRONG TRUST FUND	This fund accounts for Trust income that may only be used for beautification of the City. and is released by the Trustee only on application by the City

**City of Pacific Grove**  
**Combining Balance Sheet**  
**Permanent Nonmajor Governmental Funds**  
**June 30, 2015**

	Library Endowment Trust Fund	Cemetery Endowment Trust Fund	Yount Trust Fund	Total Permanent Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 533,108	\$ 1,270,279	\$ 840,264	\$ 2,643,651
<b>Total assets</b>	<b>\$ 533,108</b>	<b>\$ 1,270,279</b>	<b>\$ 840,264</b>	<b>\$ 2,643,651</b>
<b>FUND BALANCES</b>				
Nonspendable				
Permanent funds	\$ 533,108	\$ 1,270,279	\$ 840,264	\$ 2,643,651
<b>Total fund balances</b>	<b>\$ 533,108</b>	<b>\$ 1,270,279</b>	<b>\$ 840,264</b>	<b>\$ 2,643,651</b>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Permanent Nonmajor Governmental Funds  
June 30, 2015**

	Library Endowment Trust Fund	Cemetery Endowment Trust Fund	Yount Trust Fund	Total Permanent Nonmajor Governmental Funds
<b>REVENUES</b>				
Charges for services	\$ -	\$ 78,170	\$ -	\$ 78,170
Interest, rents and concessions	2,318	5,404	(666)	7,056
<b>Total Revenues</b>	<u>2,318</u>	<u>83,574</u>	<u>(666)</u>	<u>85,226</u>
<b>EXPENDITURES</b>				
Current:				
Community development	-	-	75	75
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>75</u>	<u>75</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,318</u>	<u>83,574</u>	<u>(741)</u>	<u>85,151</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,318	83,574	(741)	85,151
Fund Balances Beginning	<u>530,790</u>	<u>1,186,705</u>	<u>841,005</u>	<u>2,558,500</u>
Fund Balances Ending	<u>\$ 533,108</u>	<u>\$ 1,270,279</u>	<u>\$ 840,264</u>	<u>\$ 2,643,651</u>

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## INTERNAL SERVICE FUNDS

Fund Title	Fund Description
EMPLOYEE BENEFIT FUND	This fund accounts for health insurance provided to departments on a cost reimbursement basis.
WORKERS COMPENSATION FUND	This fund accounts for workers compensation insurance provided to departments on a cost reimbursement basis.
LIABILITY INSURANCE FUND	This fund accounts for liability insurance provided to departments on a cost reimbursement basis.
OPEB FUND	This fund accounts for other postemployment benefits provided to departments on a cost reimbursement basis.

**City of Pacific Grove**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2015**

	Employee Benefit Fund	Workers Compensation Fund	Liability Insurance Fund	Other Postemployment Benefits Fund	Total Governmental Activities - Internal Service Funds
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 226,632	\$ (65,857)	\$ 263,581	\$ 125,129	\$ 549,485
Restricted cash and investments	-	-	450,000	-	450,000
<b>Total assets</b>	<b>\$ 226,632</b>	<b>\$ (65,857)</b>	<b>\$ 713,581</b>	<b>\$ 125,129</b>	<b>\$ 999,485</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 2,615	\$ 79	\$ 10,433	\$ -	\$ 13,127
Payroll related liabilities	-	1,296	1,296	-	2,592
Compensated absences - current	-	5,469	5,469	-	10,938
Total current liabilities	2,615	6,844	17,198	-	26,657
Noncurrent liabilities:					
Claims payable	-	1,010,923	-	-	1,010,923
Compensated absences	-	16,407	16,407	-	32,814
Total noncurrent liabilities	-	1,027,330	16,407	-	1,043,737
<b>Total liabilities</b>	<b>\$ 2,615</b>	<b>\$ 1,034,174</b>	<b>\$ 33,605</b>	<b>\$ -</b>	<b>\$ 1,070,394</b>
<b>NET POSITION</b>					
Restricted for insurance reserve	\$ -	\$ -	\$ 450,000	\$ -	\$ 450,000
Unrestricted	224,017	(1,100,031)	229,976	125,129	(520,909)
<b>Total net position</b>	<b>\$ 224,017</b>	<b>\$ (1,100,031)</b>	<b>\$ 679,976</b>	<b>\$ 125,129</b>	<b>\$ (70,909)</b>

**City of Pacific Grove**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2015**

	Employee Benefit Fund	Workers Compensation Fund	Liability Insurance Fund	Other Postemployment Benefits Fund	Total Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>					
Charges for services	\$ 155,954	\$ 745,928	\$ 454,837	\$ 125,129	\$ 1,481,848
<b>Total operating revenues</b>	<b>155,954</b>	<b>745,928</b>	<b>454,837</b>	<b>125,129</b>	<b>1,481,848</b>
<b>OPERATING EXPENSES</b>					
Contractual services and utilities	178,139	799,919	246,350	-	1,224,408
Personnel	-	64,805	64,805	-	129,610
<b>Total operating expenses</b>	<b>178,139</b>	<b>864,724</b>	<b>311,155</b>	<b>-</b>	<b>1,354,018</b>
Operating income (loss)	(22,185)	(118,796)	143,682	125,129	127,830
<b>NONOPERATING REVENUES(EXPENSES)</b>					
Investment income	1,114	27	2,284	-	3,425
<b>Total nonoperating revenues(expenses)</b>	<b>1,114</b>	<b>27</b>	<b>2,284</b>	<b>-</b>	<b>3,425</b>
Income (loss) before operating transfers	(21,071)	(118,769)	145,966	125,129	131,255
Transfers out	-	-	-	-	-
Change in net position	(21,071)	(118,769)	145,966	125,129	131,255
Total net position - beginning	245,088	(981,262)	534,010	-	(202,164)
Total net position - ending	\$ 224,017	\$ (1,100,031)	\$ 679,976	\$ 125,129	\$ (70,909)

**City of Pacific Grove**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2015**

	Employee Benefit Fund	Workers Compensation Fund	Liability Insurance Fund	Other Postemployment Benefits Fund	Total Governmental Activities - Internal Service Funds
<b>Cash flows from operating activities:</b>					
Receipts from interfund services provided	\$ 155,954	\$ 745,928	\$ 454,837	\$ 125,129	\$ 1,481,848
Payments for contractual services and utilities	(184,582)	(800,205)	(248,790)	-	(1,233,577)
Payments to employees	-	(49,820)	(49,820)	-	(99,640)
Net cash provided (used) by operating activities	<u>(28,628)</u>	<u>(104,097)</u>	<u>156,227</u>	<u>125,129</u>	<u>148,631</u>
<b>Cash flows from investing activities:</b>					
Investment income received	1,114	27	2,284	-	3,425
Net cash provided (used) by investing activities	<u>1,114</u>	<u>27</u>	<u>2,284</u>	<u>-</u>	<u>3,425</u>
Net increase (decrease) in cash and cash equivalents	(27,514)	(104,070)	158,511	125,129	152,056
Cash and cash equivalents - beginning	254,146	38,213	555,070	-	847,429
Cash and cash equivalents - ending	<u>\$ 226,632</u>	<u>\$ (65,857)</u>	<u>\$ 713,581</u>	<u>\$ 125,129</u>	<u>\$ 999,485</u>
<b>Reconciliation of operating income to net cash provided (used)</b>					
<b>by operating activities:</b>					
Operating income (loss)	\$ (22,185)	\$ (118,796)	\$ 143,682	\$ 125,129	\$ 127,830
Adjustments to reconcile operating income (loss)					
to net cash provided (used) by operating activities:					
Change in operating assets and liabilities:					
Accounts payable	(6,443)	(286)	(2,440)	-	(9,169)
Payroll related liabilities	-	1,296	1,296	-	2,592
Compensated absences	-	13,689	13,689	-	27,378
Net cash provided (used) by operating activities	<u>\$ (28,628)</u>	<u>\$ (104,097)</u>	<u>\$ 156,227</u>	<u>\$ 125,129</u>	<u>\$ 148,631</u>

**SCHEDULE OF FUND BALANCES**

**Schedule of Fund Balances  
June 30, 2015**

FUND TYPE	FUND DESCRIPTION	NO.	Balance
GENERAL	GENERAL FUND	1	\$ 7,596,156
GENERAL	CONSOLIDATED INVESTMENT	2	76,778
GENERAL	HYPERBARIC CHAMBER	4	28,277
GENERAL	CIVIC CENTER FUND	14	140,387
GENERAL	PEOPLE'S DESAL PROJECT	19	(37,891)
GENERAL	DRUG AWARENESS (DARE)	21	16,123
GENERAL	ASSET SEIZURE FUND	22	1,679
GENERAL	LOVERS POINT POOL	24	57,310
GENERAL	RECREATION DONATION FUND	25	27,102
GENERAL	OPERATING DONATIONS	31	99,186
GENERAL	VEHICLE REPLACEMENT FUND	32	-
GENERAL	STORM WATER FUND	44	(130,103)
GENERAL	KOO ESTATE DONATION	93	348,733
	<b>Subtotal</b>		<u>8,223,737</u>
ENTERPRISE	CEMETERY FUND	75	578,123
ENTERPRISE	GOLF FUND	77	2,692,957
ENTERPRISE	SEWER FUND	76	14,768,945
ENTERPRISE	SEWER LATERAL LOANS	78	201,781
	<b>Subtotal</b>		<u>14,970,726</u>
INTERNAL SERVICE	EMPLOYEE BENEFIT FUND	70	224,017
INTERNAL SERVICE	WORKERS COMPENSATION FUND	71	(1,100,031)
INTERNAL SERVICE	LIABILITY INSURANCE FUND	72	679,976
INTERNAL SERVICE	OPEB FUND	73	125,129
	<b>Subtotal</b>		<u>(70,909)</u>
SPECIAL REVENUE	CARILLON FUND	3	9,350
SPECIAL REVENUE	ENVIRONMENTAL ENHANCEMENT	5	161,564
SPECIAL REVENUE	STATE FRANCHISE PEG	6	357,611
SPECIAL REVENUE	LIBRARY BLDG & EQUIP FUND	7	22,125
SPECIAL REVENUE	MUSEUM IMPROVEMENT FUND	8	463,062
SPECIAL REVENUE	DOWNTOWN BUSINESS DISTRIC	9	3,687
SPECIAL REVENUE	HOSPITALITY IMPRVMT DIST.	10	57,776
SPECIAL REVENUE	LIBRARY BOOK FUND	11	(5,386)
SPECIAL REVENUE	FIRE EMERG EQUIP FUND	12	143,600
SPECIAL REVENUE	HOUSING FUND	15	307,049
SPECIAL REVENUE	TRAFFIC CONG RELIEF FUND	16	(8,223)
SPECIAL REVENUE	GAS TAX FUND	18	183,467
SPECIAL REVENUE	CHAUTAUQUA HALL FUND	26	22,135
SPECIAL REVENUE	LIGHTHOUSE MAINT.& IMPV.	27	77,402
SPECIAL REVENUE	SENIOR HOUSING FUND	28	9,721

**Schedule of Fund Balances  
June 30, 2015**

<u>FUND TYPE</u>	<u>FUND DESCRIPTION</u>	<u>NO.</u>	<u>Balance</u>
SPECIAL REVENUE	CDBG GRANT FUND	34	39,429
SPECIAL REVENUE	CALHOME REUSE ACCOUNT	36	88,971
SPECIAL REVENUE	2013 CDBG GRANT FUND	37	(115,106)
SPECIAL REVENUE	POETRY PROMOTION FUND	40	62,715
SPECIAL REVENUE	YOUNT INCOME FUND	41	82,098
SPECIAL REVENUE	PUB SAFETY AUG FUND	42	233,453
SPECIAL REVENUE	SLESF FUND	43	(65,144)
SPECIAL REVENUE	VEHICLE ABANDONMENT	45	(363)
SPECIAL REVENUE	STRONG FUND DISBURSEMENTS	46	42,989
SPECIAL REVENUE	MCINDOO DONATION	92	99,951
	<b>Subtotal</b>		<u>2,273,933</u>
CAPITAL	BUILDING AND FACILITIES IMPROVEMENT FUND	61	563,813
DEBT SERVICE	BUTTERFLY HABITAT BOND	54	63,579
PERMANENT	LIBRARY ENDOWMENT TRUST FUND	85	533,108
PERMANENT	CEMETERY ENDOWMENT TRUST FUND	86	1,270,279
PERMANENT	YOUNT TRUST FUND	90	840,264
PERMANENT	STRONG TRUST FUND	91	-
	<b>TOTAL</b>		<u><u>\$ 31,939,610</u></u>



# City of Pacific Grove

## June 30, 2015 Audit Results



**Chavan & Associates, LLP**  
Certified Public Accountants

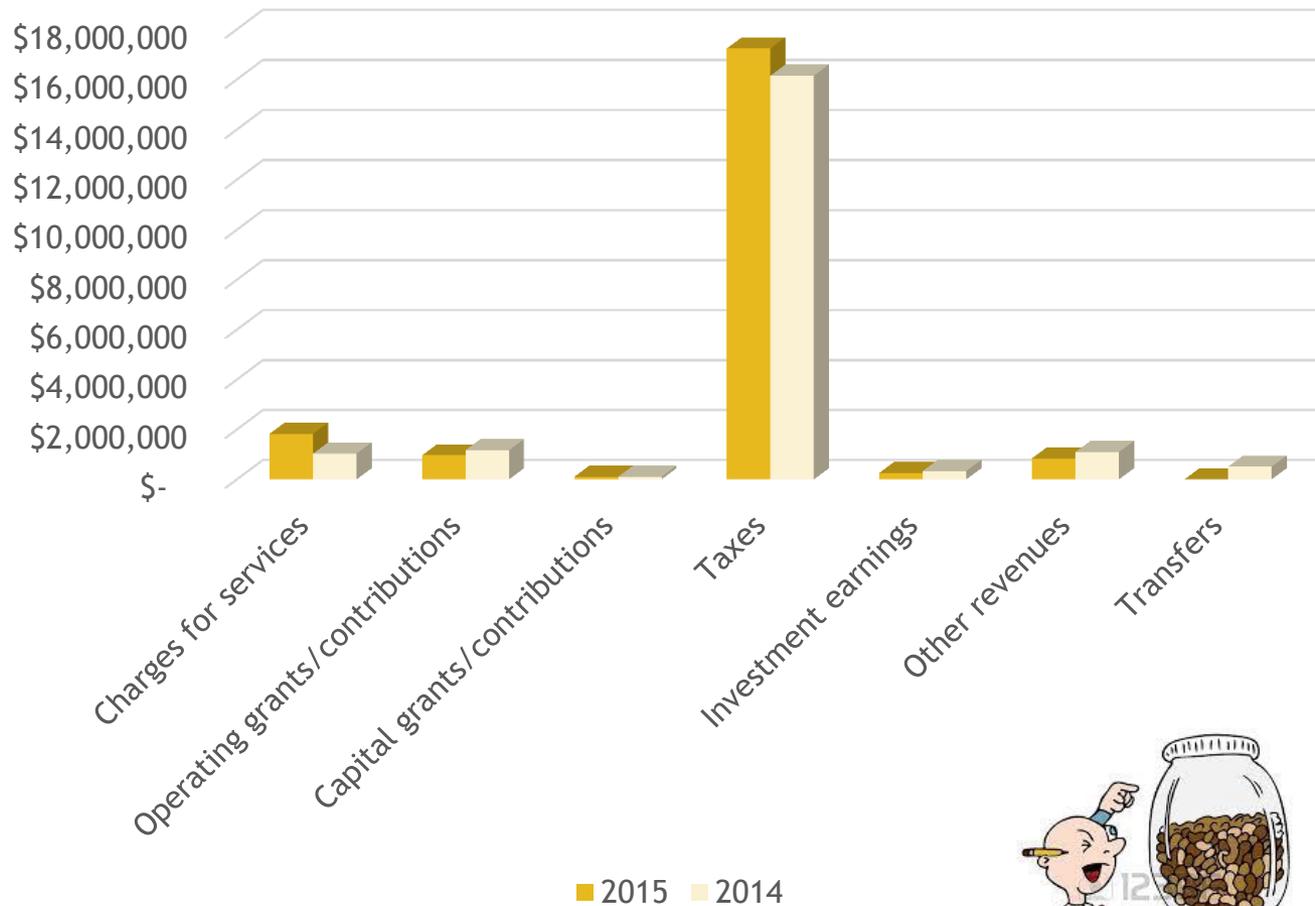
# Statement of Net Position

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	2015	2014	2015	2014
<b>Assets</b>				
Current and other assets	\$ 18,080,861	\$ 27,094,074	\$ 6,584,503	\$ 6,337,421
Capital assets	22,721,516	22,055,474	16,329,840	15,930,458
<b>Total Assets</b>	<b>\$ 40,802,377</b>	<b>\$ 49,149,548</b>	<b>\$ 22,914,343</b>	<b>\$ 22,267,879</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 11,828,349</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Liabilities</b>				
Current and other liabilities	\$ 4,092,517	\$ 1,322,671	\$ 679,725	\$ 404,460
Noncurrent liabilities	41,362,329	21,136,312	3,992,812	4,509,283
<b>Total Liabilities</b>	<b>\$ 45,454,846</b>	<b>\$ 22,458,983</b>	<b>\$ 4,672,537</b>	<b>\$ 4,913,743</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 7,244,401</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Position</b>				
Net investment in capital assets	\$ 22,263,317	\$ 21,416,743	\$ 12,181,977	\$ 11,468,718
Restricted	6,023,419	5,875,777	-	273,843
Unrestricted	(28,355,257)	(601,955)	6,059,829	5,611,575
<b>Total Net Position</b>	<b>\$ (68,521)</b>	<b>\$ 26,690,565</b>	<b>\$ 18,241,806</b>	<b>\$ 17,354,136</b>



# Governmental Revenue

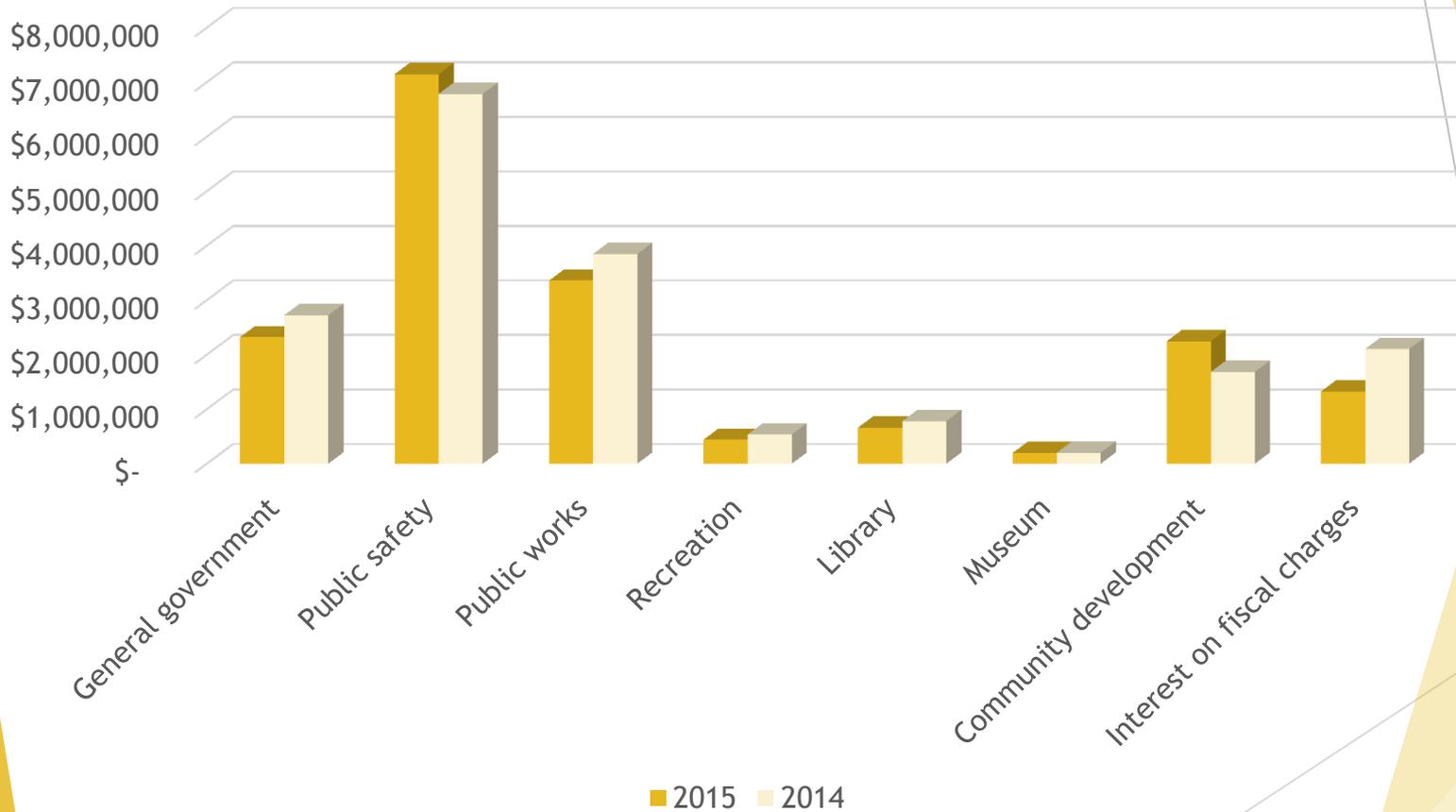
## Total Revenue by Category



# Governmental Expenses

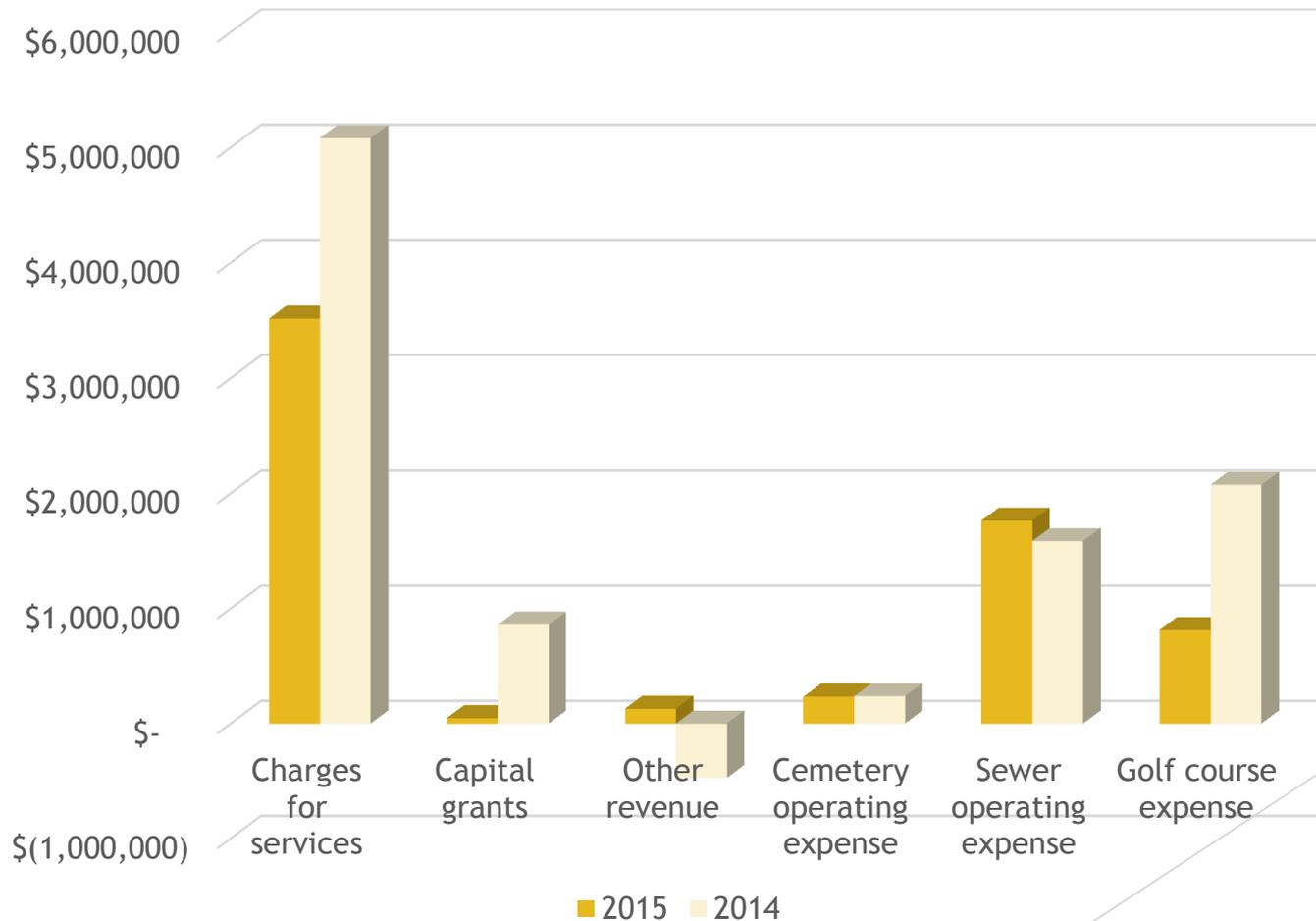


## Total Expenses by Function



# Business-Type Activities

## Business-Type Activities



# General Fund Budget

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund Revenues:</b>				
Property taxes	\$ 5,834,000	\$ 5,794,000	\$ 5,750,806	\$ (43,194)
Sales and use taxes	3,704,000	3,198,000	3,534,495	336,495
Franchise and other taxes	809,000	848,000	919,377	71,377
Transient occupancy taxes	3,831,125	3,494,000	4,468,965	974,965
Utility users taxes	1,475,000	1,638,000	1,428,360	(209,640)
Business license tax	350,000	340,000	327,463	(12,537)
Other taxes	70,000	70,000	102,627	32,627
Intergovernmental revenues	510,000	129,500	163,543	34,043
License, permits and impact fees	413,000	406,202	440,403	34,201
Fines and forfeitures	72,000	82,500	49,714	(32,786)
Charges for services	974,675	1,028,508	983,061	(45,447)
Interest, rents and concessions	159,775	218,325	433,491	215,166
Other revenues	442,400	502,700	589,932	87,232
<b>Total Revenues</b>	<b>\$ 18,644,975</b>	<b>\$ 17,749,735</b>	<b>\$ 19,192,237</b>	<b>\$ 1,442,502</b>

# General Fund Budget

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund Expenditures:</b>				
General government	\$ 2,791,458	\$ 2,833,539	\$ 2,317,231	\$ 516,308
Police	5,175,860	4,497,045	4,192,928	304,117
Fire	2,452,553	2,518,129	2,291,201	226,928
Public works	2,615,914	2,406,976	2,641,550	(234,574)
Recreation	482,340	330,958	393,761	(62,803)
Library	874,641	714,145	676,271	37,874
Museum	184,685	182,856	188,938	(6,082)
Community development	1,348,269	1,204,372	1,324,672	(120,300)
Capital outlay	1,016,852	965,000	795,432	169,568
Principal retirement	1,185,874	1,185,874	1,185,874	-
Interest and fiscal charges	648,730	712,915	752,465	(39,550)
<b>Total Expenditures</b>	<b>\$ 18,777,176</b>	<b>\$ 17,551,809</b>	<b>\$ 16,760,323</b>	<b>\$ 791,486</b>

# Accounting Pronouncements

## ▶ GASB 68

- ▶ Requires the reporting of City's "share" of a Net Pension Liability for PERS in the Statement of Net Position.
- ▶ Annual Required Contributions by the City and Employees should increase as a result.
- ▶ Required by June 30, 2015.

## ▶ GASB 75

- ▶ Requires reporting City's Share of Actuarially Determined Unfunded Liability.
- ▶ Contributions depend on annual required contributions and liability.
- ▶ Required by June 30, 2018.



# Audit Results

- ▶ **No Exceptions in Audit Opinions**
- ▶ **No Material Weaknesses**
- ▶ **No Disagreements with Management**
- ▶ **No Significant Passed on Adjustments**

